VETERANS' CANTEEN SERVICE

HEARING

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

OF THE

COMMITTEE ON VETERANS' AFFAIRS HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

SECOND SESSION

JUNE 23, 1988

Printed for the use of the Committee on Veterans' Affairs

Serial No. 100-54

U.S. GOVERNMENT PRINTING OFFICE
87-987 WASHINGTON : 1988

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

H761-1

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VETERANS' CANTEEN SERVICE

THURSDAY, JUNE 23, 1988

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,
COMMITTEE ON VETERAN'S AFFAIRS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9 a.m., in room 334, Cannon House Office Building, Hon. Lane Evans (chairman of the subcommittee) presiding.

Present: Representatives Evans and Stump.

OPENING STATEMENT OF CHAIRMAN EVANS

Mr. EVANS. Good morning. The Subcommittee on Oversight and Investigations will come to order.

This morning we are conducting the third oversight hearing on the Veterans' Canteen Service since September, 1985. The fact that we are conducting a third hearing in as many years indicates the importance of this program to hospitalized and domiciled veterans and the emphasis that the committee properly places on it.

Our concerns today are similar to those that were brought out in the previous hearings. We will examine the activities of the Canteen Service to determine if they are being conducted as intended by law.

So that there will be no misunderstanding, I want to make it clear that this hearing does not reflect on the management and operations of the Veterans' Canteen Service at any level. Rather, this is a hearing that has as its principal focus the economic viability of the Canteen Service, the independence of the service, and the management policies, procedures, and directives placed on the Veterans' Canteen Service by officials over it in the VA Central Office and by medical center directors in the field. As a result of those management decisions that affect canteen operations, we are anxious to learn several things today.

First, does the Veterans' Canteen Service continue to serve the purpose for which it was established? Does the Canteen Service have readily available for purchase at reasonable cost items of merchandise such as toilet articles, articles of general use, miscellaneous food items including such things as are sold at snack bars and cafeterias, and does the service provide such services as barber shops, beauty salons, shoe shine parlors, tailors, etc.? Are these purposes continuing to be pursued by the Administrator or his designee through the VCS?

Secondly, what is the current status of the independence of this service as mandated by Section 4208, Title 38, of the United States

Code? In the previous two oversight hearings, independence was being threatened by a reorganization of the VCS. Have other means to curb its independence been employed? What is its status today?

Thirdly, what is the financial condition of the Canteen Service? Is the budget adequate to support the canteen operation in all VA Medical Centers and Domiciliaries? What are the economic implications of halting canteen tobacco product sales and what are the findings of the recently completed study on this subject that was conducted by Price Waterhouse? Also, how will the interest paid on canteen funds which are on deposit in the U.S. Treasury, as was recently authorized by legislation, be used?

These are several questions that we want to explore today. However, the subcommittee is particularly concerned about a recent incident at the Clement J. Zablocki VA Medical Center in Milwaukee, Wisconsin. This incident demonstrates the fact that fundamental canteen management decisions are being made outside of the Canteen Service. I hope that Dr. Winship and perhaps some of the VCS witnesses might be able to enlighten us on this matter.

This morning, in addition to witnesses representing the Administrator of Veterans Affairs and the service organizations, we have again turned to VCS employees who are very knowledgeable on the policies and procedures of the VCS. These individuals, in our view, are most qualified to report on the effect of these management decisions. We have asked these witnesses to appear to relate their personal views on the impact of management decisions and operations since our last oversight hearing in September, 1986.

We will soon be joined by Congressman Stump, the ranking minority member, for his opening remarks, but at this time we will turn to our first panel.

Before we do that, without objection, a letter with attachments that I received from Dr. Gronvall, Chief Medical Director, in response to questions that I addressed to the Veterans' Canteen Service Director, is being submitted for the record.

[The information appears on p. 12.]

Mr. EVANS. Our first witness is Mr. Gordon Thorson, Special Assistant, National Legislative Service, Veterans of Foreign Wars. Without objection, his entire statement will be made part of the official hearing record. I understand, Mr. Thorson, that you have some other commitments today so we want to put you on and let you summarize. Please proceed in any way that you like.

STATEMENT OF GORDON THORSON, SPECIAL ASSISTANT, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. THORSON. Thank you, sir. As usual, I will be brief and get directly to the point. Mr. Chairman, I am proud to be here today representing the viewpoint of the Veterans of Foreign Wars.

The Veterans' Canteen Service was established by the United States Congress in 1946. The Service was created to provide reasonably priced merchandise and necessary services for the comfort and well-being of veterans utilizing the hospitals and domiciliaries operated by the Veterans' Administration. For over 40 years the Veter-

ans' Canteen Service has successfully completed its mission and has shown a profit. This self-sustaining program requires no Federal appropriation from the Congress, and its independent status is the envy of others.

The VFW must compliment the Veterans' Canteen Service for its outstanding record of serving veterans and maintaining a self-supporting operation. As noted in our written testimony, the Veterans' Canteen Service has employed some very innovative ideas in recent years to better serve veterans' needs. One of the finest examples of that effort can be found in Dallas, Texas, where the Canteen Service offers a variety of dining options, from a full-service cafeteria, to a pizza parlor, and even a yogurt machine. This certainly serves the veterans in that facility.

The Veterans' Canteen Service recently contracted with Price Waterhouse to do a study on the effect of eliminating tobacco products from canteen sales. The final result is finished and we will be hearing the results this morning. Price Waterhouse has done an excellent job of reporting the financial and human impact of eliminating tobacco sales. Their results are consistent with the position of the Veterans of Foreign Wars.

We can not support total elimination of all tobacco products from all canteens. The VFW has long been on record calling for a phased cessation of tobacco sales in canteens located in tertiary care facilities while continuing their availability in medical centers which have long-term psychiatric, nursing home, or domiciliary populations. We are confident that VCS can survive as a self-sufficient agency, if reasonable reductions in tobacco sales are implemented, innovative alternatives are pursued, and successful innovations are shared.

Tobacco sales and a smoke-free environment are controversial and sensitive issues that require a straightforward, balanced approach. I thank you and I will be glad to answer any questions.

[The prepared statement of Mr. Thorson appears on p. 31.]

Mr. EVANS. I understand that the guidelines call for medical centers to certify that they have received the support of veterans' service organizations in evaluating requests to discontinue canteen tobacco sales. Has the VFW been requested to give its support to these kinds of requests in the past?

Mr. THORSON. Yes, sir.

Mr. EVANS. Has the VFW given its support generally?

Mr. THORSON. In the instance that comes to mind, which took place in Wisconsin at the Zablocki Center, there was a meeting conducted to discuss the elimination of smoking in their facility. One of our department service officers was in attendance at that meeting. At that time, rather than being asked whether or not we would allow the elimination of smoking in order to have a smoke-free environment, our people were told that it was going to happen, so we might as well fall in line.

Mr. EVANS. So there was no input. It was just announced to you as their decision?

Mr. THORSON. It was basically announced that it would be this way, so we might as well fall in line because it was going to happen. In fact, it was implied that this is going to happen nationwide, so there would be no sense fighting it.

Mr. EVANS. Is the VFW concerned about the possibility of a black market developing and veterans being exploited if tobacco sales were completely eliminated?

Mr. THORSON. Certainly, sir. That would have to happen because there are so many veterans who require tobacco in the long-term facilities, and who feel that, by God, they are going to get it one way or another. A black market would most certainly evolve.

Mr. EVANS. Thank you.

Mr. Stump?

Mr. STUMP. Mr. Chairman, I apologize to you and to our witnesses for being late this morning. I had another meeting.

I certainly agree that we must assure ourselves that the operation of the Veterans' Canteen Service is consistent with what Congress intends. Of particular concern to me are the independence and economic viability of the service.

Mr. Thorson, I am grateful to you and our other witnesses for taking the time to assist us by giving your testimonies today. Thank you.

Mr. EVANS. Thank you again Mr. Thorson.

Our next witness is Dr. Fredric Laughlin, Partner, Price Waterhouse. He is accompanied by Mr. Greg Collins and Mr. Paul Lawrence.

The statement that you have submitted will be made a part of the record, and in addition, the recently completed study on the implications of eliminating the sale of tobacco products in canteens will also be included. Dr. Laughlin, you may proceed in whatever fashion you choose.

STATEMENT OF FREDRIC LAUGHLIN, PARTNER, PRICE WATERHOUSE

Mr. LAUGHLIN. Thank you, Mr. Chairman. I am Fred Laughlin, a Partner in Price Waterhouse. I supervised the study that has been referred to, and I think it has been summarized very well by Mr. Thorson, both in its objectives and its conclusions.

It was pointed out that I am accompanied by Dr. Paul Lawrence, who was the Project Manager of the study, and by Mr. Greg Collins, who was the principal analyst. We are here to answer questions on my testimony and on any aspect of that report. Thank you.

[The prepared statement of Mr. Laughlin appears on p. 33.]

Mr. EVANS. The statement that you submitted identified several objectives to your study. These included, first, identifying factors associated with profitability in canteens which are not presently selling tobacco products; second, identifying factors associated with non-profitability in canteens that do not now sell tobacco products; and third, identifying courses of action that could offset losses of income from the elimination of tobacco sales and estimating the length of time that it would take to recoup lost income if these suggested strategies were to be implemented. Could you summarize those study findings that relate to those objectives, with particular reference to the projection of the length of time needed to recoup income losses from the elimination of tobacco products?

Mr. LAUGHLIN. Yes, sir, I will. First, the removal of tobacco products would significantly reduce VCS profits. Using 1987 data, profits would be reduced by approximately $8 million. This reduction results from both the direct effect and the indirect effect of cessation of tobacco sales.

The direct effect is simply the profit from the sale of tobacco products. The indirect effect, or tie-in sales, are those sales that are connected with people who come into the canteen for cigarettes and who also buy something else while they are there. These are what we call tie-in sales. Using the 1987 data we estimate that the direct effect would be a loss of approximately $7.3 million, and the indirect effect would be a loss of approximately $800,000. That is our first finding.

The second finding is that the relationship between the medical center director and the canteen chief is key in developing appropriate responses to tobacco-free canteens on the local level. As most of you know, the various medical centers tend to be autonomous in the setting of their policies. The relationship between the medical center director and the canteen chief is important in the establishment of the policies that the canteen chief will use to run his particular operations.

The third finding is that there is an important relationship between the length of patient visit and the financial impact on the patient who is a smoker due to the cessation of tobacco sales in the canteens. This is a simple point. The longer a veteran patient (smoker) stays in a medical center, the more he or she will be penalized by the cessation of tobacco sales in the canteen.

Mr. EVANS. What about the recouping of lost income? Can you summarize the ways in which we can recoup the lost income?

Mr. LAUGHLIN. There are two sides to that: the revenue side and the cost side. The revenue side would include those products that could be used to replace tobacco products to recoup that lost revenue. On the cost side are those things that could be done to reduce the overall costs. A combination of those actions might be used to offset the loss of tobacco profits. On the revenue side, we don't see any other product that is anywhere close to tobacco products in terms of high profitability, minimum use of shelf space, and low clerical maintenance. There are innovative products being introduced at some of the individual canteens, so there are attempts being made to recoup some of those profits. However, there is no other product that has those combined characteristics.

Mr. EVANS. Can you tell us a little about the health care index that you proposed? How would that work and what impact would it have on the viability of the Canteen Service?

Mr. LAUGHLIN. Yes, sir. We do not see that health care index affecting the economic viability. It really does not address that issue. We do feel that the principal characteristic of the medical center that needs to be taken into account in any policy for the phase-out of tobacco products is the length of stay of the patient in the facility. The health care index is a measure of the number of people who are there for an extended period of time. Simply put, the higher the index of a medical center, the greater the adverse impact on the patients (smokers) at that medical center. If a policy were tied to the health care index, it would identify a particular

index level whereby the medical center would be less adversely affected by the cessation of tobacco sales.

Mr. EVANS. I understand that in one of the VA neuropsychiatric facilities tobacco is being used as a reward for good behavior. Is that correct?

Mr. LAUGHLIN. That is correct, sir.

Mr. EVANS. Can you describe how that was done?

Mr. LAUGHLIN. Dr. Lawrence was the person doing the interviewing in this case.

Mr. LAWRENCE. I actually conducted the visit to that medical center. While I was there I interviewed the canteen chief and he showed me boxes of cigarettes that were going to be delivered to the neuropsychiatric ward. He indicated that those cigarettes were given to patients who completed certain activities that were required of them during the day, such as attending therapy and "being good," to use his terms. At the end of some period of time, cigarettes were given out as the reward to those patients.

Mr. EVANS. Thank you.

Mr. Stump?

Mr. STUMP. Dr. Laughlin, I understood you to say that of the 27 canteens that do not sell tobacco products, that you see no way for them to stay open and sustain themselves. Is that correct or did I misunderstand?

Mr. LAUGHLIN. I believe that is an extension of what I said. I did not refer to the 27 canteens specifically. The $8 million that I identified was for the VCS as a whole. The statement that I made was that we do not see any one product, or even a series of products, that could replace tobacco products and recoup the profits lost from the elimination of tobacco products. Absent any other action, the VCS would lose money if it completely dropped the sale of tobacco products.

Mr. STUMP. Would the consequences be that they would have to raise prices on their other items in order to break even?

Mr. LAUGHLIN. That would be one action that could be taken.

Mr. STUMP. In any of these instances of the 27 canteens, did any of the hospitals in which they served maintain a no-smoking posture?

Mr. LAUGHLIN. We only found one hospital that was attempting to maintain a smoke-free environment—I believe that was San Diego—and there were others who have set aside specific areas for smoking.

Mr. STUMP. Thank you.

Thank you, Mr. Chairman.

Mr. EVANS. Let me ask you a question concerning the implementation of a policy that would effectively allow the Canteen Service to end its dependency on tobacco sales. Can you describe what that policy would be, and would it provide net revenue that would be at least 2 percent of gross sales?

Mr. LAUGHLIN. Whether the policy would result in a particular percent of gross sales is difficult to project. As to the question concerning what the policy should be for the cessation of sales of tobacco products, we have stated that if the decision is made to cease tobacco products, then we believe that a policy to effect such a cessation ought to include a link between the patient-mix at the medi-

cal center and the cessation of sales. There are other aspects of that in terms of profitability which are being considered now by the VCS Director and his staff. We believe that those aspects presently being considered and the health care index form the basis for sound policy for the phase-out of tobacco products.

Mr. EVANS. Could you address the potential for development of a black market in the hospitals that cease to sell tobacco products? What action could be taken in those hospitals to prevent that from happening?

Mr. LAUGHLIN. We have avoided the term black market because that term connotes illegal sales. I suppose that if the medical center director said that it was illegal to sell tobacco products, it would become a black market.

Certainly the notion of the price being higher than what would otherwise be paid is in effect here. It has been argued that the patient who does not stop smoking will buy just as many cigarettes after the ban, and that the only thing that will change significantly is the price that he or she would have to pay. It would simply be a case of income being transferred from the patient to some facility other than the VCS.

Mr. EVANS. Thank you very much for your time.

Next we will hear from a panel of witnesses who have been invited to present their personal opinions on all matters that currently affect the operations of the VCS. Each of these witnesses is a Veterans' Canteen Service employee who has had considerable experience in Central Office, a former field office, a VA Medical Center as a director of the canteen, or in a combination of these activities. I want to emphasize that these witnesses are here to give us their personal views, not the official position of the Veterans' Canteen Service or the Veterans' Administration.

Before they testify, I want to reiterate that it would be unfortunate if any VA or Executive Branch official attempted any action against any of these witnesses because of their testimony or their response to any questions posed by the subcommittee. This subcommittee and the full Committee on Veterans' Affairs would deem such action as hostile to the best interest of the veteran hospital patients and domiciliary members. In such case, I want to reassure the witnesses that we would do everything in our power to see that such action is promptly corrected and that it is not repeated. We feel confident that this will not happen but we want to assure you all of our support so that each of you will feel free to express your true feelings to bring us up to date on the current issues that are facing the VCS.

These witnesses were not requested to submit a prepared statement, but if any of them have a statement to be included in the record of this hearing, it will, without objection, be so ordered.

I ask that each of you summarize your position in 10 minutes, and we will withhold our questions until each member of the panel is finished. Additional questions may be submitted in writing later.

Our panel is composed of Mr. Paul Reider, Executive Assistant to the Director, Veterans' Canteen Service; Mr. Neil Whittle, Director of Marketing, VCS; Mr. Ralph Shalda, Field Operations Specialist; Mr. Paul Koval, Director, Veterans' Canteen Service, VA Medical

Center, Washington, D.C.; and Mr. Paul Freiert, Assistant Director, VCS Finance Center, St. Louis, Missouri.

Gentlemen, would you all come forward and testify in the order in which I have introduced you.

STATEMENT OF PAUL REIDER, EXECUTIVE ASSISTANT TO THE DIRECTOR, VETERANS' CANTEEN SERVICE, VETERANS' ADMINISTRATION CENTRAL OFFICE, WASHINGTON, D.C.

Mr. REIDER. Good morning. Mr. Chairman and members of the subcommittee, I sincerely appreciate this opportunity to appear before you to discuss issues involving the Veterans' Canteen Service. When I was a canteen chief I corresponded with the subcommittee concerning the issues that I will address today. My colleagues and I will be addressing specific subjects of our personal concern as you requested in your invitational letter to each of us.

The Veterans' Canteen Service has been mandated as an independent organization within the Veterans' Administration, since it was established in 1946 under Public Law 79-636 (38 USC, Chapter 75). Our purpose is to serve the veteran patients by offering at reasonable prices articles of merchandise and services essential to their comfort and well-being. We offer food services at reasonable prices to patients, employees, volunteers, and visitors. As a VCS employee for more than 22 years I can proudly say that I have always tried to the best of my ability to further the VCS mission.

Since the reorganization of the VCS in 1986, we have initiated a range of programs which we feel have enhanced our overall service. For example, we now offer over-the-counter drugs in our Retail Stores. We feel that this will enable the VCS to increase revenues and to reduce the overall cost of non-prescription drugs to the VA. Our new VCS Director, who was appointed in January 1987, has given us the leadership and direction that our organization so desperately needed. He has instilled in all of us a new sense of confidence and boosted morale throughout the Service.

For example, he held regional meetings and allowed canteen management to express their viewpoints on any subject concerning the VCS. He candidly and personally answered all questions asked. I feel confident that he has put our organization back on the track to providing more efficient and productive service to our veterans. We are progressing.

However, since our reorganization, our oversight and support of canteens has been weakened. This subject will be addressed by others at this table. My personal concerns include OMB Circular A-76 and its threat to our independence.

This Committee has received testimony concerning Circular A-76 and its relation to the Veterans' Canteen Service on two past occasions, specifically our first hearing on September 18, 1985 and our second hearing on September 24, 1986. As early as May 12, 1982, the ACMD for Administration testified before this committee that "because of the definition in title 38 for the Canteen Service, we have considered it exempt." VA Circular 00-84-8, dated April 25, 1984, excluded the VCS operations from the requirements of OMB Circular A-76. Then, from out of left field, came VA Circular 00-84-32, dated September 12, 1984, including the VCS food service for

study under Circular A-76. When this occurred my thought was that the VCS was to be the sacrificial-lamb of the VA. This action, in my opinion, was a threat to our independence.

My colleagues and I have corresponded with members of the committee before and since those hearings expressing our concerns over this matter. However, our concerns continue to exist. We are told by DM&S that our organization is just conducting studies to improve our efficiency and effectiveness in Canteen Food Services. If this is true, then why has a TWX dated June 7, 1988, on the subject of solicitations for bids been released indicating bid-opening dates which will commence August 15, 1988, and will run through August 15, 1989, with the obvious intent to contract out?

Contracting out our food services, in my opinion, will not benefit the veteran patient. It can only parallel the type of service rendered prior to 1946, which was the determining factor in legislation that was enacted to create the Veterans' Canteen Service. That was a time when the quality of service was inadequate, when private concessionaires lacked compassion and understanding for the patient, and a time when the only concern was for "making a buck."

The Veterans' Canteen Service has been financially self-sustaining for more than 41 years. We continue to expand and improve our services to veteran patients through innovative programs. We provide food services at virtually no cost to the government. How then will contracting out be a cost savings to the Government?

Recent enactment of Public Law 100-322 provides that employees of the Veterans' Canteen Service shall not be considered to be VA employees for purposes of any personnel ceilings which may otherwise be applied to VA employees by the President. Where then will the contracting out of VCS employees reduce appropriated-fund FTEE from the VA? The answer to that question, gentlemen, is that it will not. Why then is a non-appropriated-fund organization, in this case the VCS, being included with other VA appropriated activities in this Circular A-76 solicitation process? The first bid opening date is August 15, 1988, and that date is quickly approaching.

It is my personal opinion, based on Public Law 100-322, that the Veterans' Canteen Service, having exclusive control of its FTEE, and being a non-appropriated-fund activity, should be exempt from the Circular A-76 cost comparison studies, for the purpose of contracting out. May I suggest, Mr. Chairman, that this committee review the entire A-76 issue and its relationship to our organization, the Veterans' Canteen Service. We are running out of time. Once the solicitation for bids begins there is no stopping the process. I thank you for this opportunity to speak. I would like to submit my statement with attachments for the record and I will be available for any questions that you may have.

[The prepared statement of Mr. Reider with attachments appear on p. 43.]

Mr. EVANS. Without objection, your statement will be included in the record.

Mr. Whittle, would you proceed?

STATEMENT OF NEIL C. WHITTLE, DIRECTOR OF MARKETING, VETERANS' CANTEEN SERVICE

Mr. WHITTLE. Thank you. Mr. Chairman and members of the subcommittee, I appreciate the opportunity the speak before you this morning to give my personal views regarding the Veterans' Canteen Service. I am the Director of Marketing for the Veterans' Canteen Service, having approximately 26 years of Government service. It has been and continues to be a pleasure to serve the veterans of this nation.

One of the concerns at this hearing is to review the fiscal responsibilities of the VCS. The Price Waterhouse study on the fiscal impact of a ban on the sale of tobacco products in VA canteens is pretty straightforward. If the VA bans the sale of cigarettes in VA canteens, the Veterans' Canteen Service will lose approximately $7 million dollars. This figure doesn't even include the loss of income from sales associated with tobacco purchases. As reported earlier this morning, this will total approximately $8 million. Just as Congress asked it to do 42 years ago, the Veterans' Canteen Service has successfully served America's hospitalized veterans. Is it the purpose of the VA to change the intent of the law with such a ban?

In analyzing whether or not the service is operating on sound business principles we have misdirected our focus toward the sale of tobacco products. In doing so we also have lost sight of the very purpose of the Veterans' Canteen Service, which is service to the veterans, and we have lost sight of the individual rights of our veterans who are short-term and long-term patients in VA facilities. Personally, I do not smoke and I do not profess to be a medical expert on the topic. However, I do feel strongly about individual rights —the rights that our veterans fought to defend—and the rights that are now being taken away from them by those who profess to be acting on their behalf.

Whether or not these veterans choose to smoke is their decision, not ours or anyone else's. It is their individual prerogative and right. Nobody should have the right to encroach on their personal freedoms and choices, whether to buy cigarettes, read certain magazines, or take up certain hobbies.

Our job at the VCS is to enhance the lives of veterans who are hospitalized or domiciled in VA medical centers. It is our mission to make available everyday consumer items which might not otherwise be obtainable, including tobacco products. In fact, many of the patients we serve depend on the availability of products that they can conveniently purchase in our stores. By removing cigarettes or any other items from the canteens we are shirking our responsibility.

I can understand to a certain degree the reasoning behind the requests to eliminate the sale of tobacco products in VA medical centers. The VA is in the health care business, and believes that the sale of tobacco products may be perceived as an endorsement for the practice of smoking. I honestly believe that we are overlooking one important thing here, and that is the veteran's right to his or her own personal choices. A balanced approach for promoting health, and individual rights, must be considered.

As you know, many veterans in VA medical centers have difficulty moving about due to war injuries. Approximately half of our 58 thousand daily in-patients are long-term patients. Many are scarred mentally and cannot function in society. Many are aged and frail and depend on VA hospitals for round-the-clock care. The VA has done a great deal to demonstrate to these veterans the nation's gratitude for their service. However, adding to a veteran's already encumbered existence, in my opinion, is unseemly and improper.

Exchange & Commissary News, a trade publication that follows VA canteen affairs, conducted interviews at the VA medical center in Northport, New York, about the proposed ban on the sale of tobacco products in VA canteens. I quote from their November, 1987 issue: "Bill Jackson, a Vietnam veteran who served in the U.S. Army, was noticeably disturbed. 'I have enough shrapnel in my body,' he said, 'to make the airport metal detectors go off. Who do they think they are, trying to make it difficult for me to get cigarettes? When they stop smoking on Capitol Hill, then tell them to come back with their proposals.'"

One employee observed that, "There are patients that have been at this hospital for over 35 years, and for some, cigarettes are their best friends. If the patients can't smoke, they'll have nervous fits."

Larry Capiello, a World War II veteran was outraged. "They can't do this to me," he said. Then, after pausing a moment, and in a disheartened voice he added, "Why would they do this to me?"

One final question: who benefits from a decision banning the sale of tobacco products in VA canteens? Certainly not hospitalized veterans. I feel that those who choose to use tobacco products will more likely be encouraged to do so through devious and illegal means. I do not believe that this is the intent of Congress. I believe that it is the intent of Congress to help the hospitalized veterans to be served by a viable and well-operated Veterans' Canteen Service.

Mr. Chairman and members of the subcommittee, thank you.

[The prepared statement of Mr. Whittle appears on p. 78.]

Mr. EVANS. Thank you.

Mr.Shalda?

STATEMENT OF RALPH SHALDA, FIELD OPERATIONS SPECIALIST, VETERANS' CANTEEN SERVICE

Mr. SHALDA. Mr. Chairman and members of the subcommittee, I sincerely appreciate this opportunity to speak before the subcommittee to present my personal views on the Veterans' Canteen Service. During my 15 years with the VCS I have advanced from management positions at several canteens to my appointment last year as a Field Operations Specialist in the VCS Central Office. In this position I presently oversee the operation of 21 canteens in Region 4, the Great Lakes Region. Today I will address my comments to the independence of the VCS.

To date I have visited most canteens in Region 4 and several canteens in other regions. At the majority of my visits to VA Medical Centers I have enjoyed a very cordial working relationship with medical center management that includes a mutual concern and commitment to serving the needs of the veterans. On some occa-

sions, though, I have been faced with medical center management which seemingly has no interest in the viability of the Veterans' Canteen Service or no interest in providing support services to the VCS that are mandated by VA regulations.

Several incidents of medical center management circumventing the authority of the VCS during the past year come to mind. During my oversight visit to Milwaukee, medical center management threatened to contract out canteen food service when I explained that the VCS could not comply with the demand that we discontinue tobacco sales immediately. After I left Milwaukee, medical center management pressured the canteen chief into ceasing cigarettes sales by telling him the VA police would be sent to remove tobacco products and that the chief would no longer be employed as canteen chief at that station if he did not acquiesce.

At Albany, New York, medical center management permits groups other than the VCS to engage in commercial activities contrary to VA regulations. When the VCS requested discontinuation of these activities, the threat was made to contract out all canteen functions if the issue was pursued.

At North Chicago, without any prior communication with the VCS, discussions were held between the VA and a major fast-food chain regarding the establishment of a franchise at the VA. Although the VCS has finally become involved in these negotiations, this type of action illustrates the approach that some individuals have taken, that interferes with the proper line of communication and the Canteen Service's legislated exclusive control over it's activities.

These situations and and others like it where the canteen chief has been placed between two bosses, exemplify the need for the VCS to be operated as an independent arm of the VA. The present structure of the canteen chief working for both medical center management and VCS management is analogous to the situation that the Army Air Force Exchange Service (AAFES) found itself in several years ago with its exchange managers and the base commanders. AAFES resolved their difficulties by establishing a clear chain of command from the exchange manager to the AAFES commander, which exists today. If the base commander desires a revision in operation of the exchange, he makes his request through military channels to AAFES headquarters, not through the exchange manager, and then AAFES headquarters works with the base commander to ensure that local needs are met within AAFES regulations, thus following an established chain of command. The exchange manager is considered a staff member of the base commander for the purpose of attendance at meetings in order that he may stay in touch with local goals and objectives. However, the exchange manager works for the AAFES commander, not the base commander. A line of authority similar to that which is employed by AAFES, if utilized by the VA, would bring us into compliance with Title 38, U.S. Code, Section 4208, which says, in part, "The Service shall function as an independent unit within the VA with exclusive control over all its activities."

I stress that the vast majority of the medical center directors with whom I have had contact over the years have been very considerate of the VCS. I feel that the VCS has worked to understand

and meet the needs of medical center management also. However, changes are needed to remove the VCS from the present cumbersome bureaucratic chain of command. In my opinion, this can be best accomplished by reverting back to having one person responsible for the operation of the VCS, with a clearly delineated line of authority from the Administrator of Veterans Affairs to the Director, VCS, to the Chief, Canteen Service. In reading Title 38, U.S. Code, Sections 4201-4208, I firmly believe that the original intent of Congress was to have the Veterans' Canteen Service report directly to the Office of the Administrator of Veterans Affairs, not to be controlled within the Department of Medicine and Surgery.

Mr. Chairman, and members of the subcommittee, thank you.

[The prepared statement of Mr. Shalda appears on p. 81.]

Mr. EVANS. Thank you.

Mr. Koval?

STATEMENT OF PAUL F. KOVAL, CHIEF, VETERANS' CANTEEN SERVICE, VA MEDICAL CENTER, WASHINGTON, D.C.

Mr. KOVAL. Mr. Chairman and members of the subcommittee, good morning. I wish to thank you for the opportunity to appear before you this morning.

I am the Canteen Chief at the VA Medical Center in Washington, D.C. I have been employed by the VCS for over eight years, serving at five different locations in four states. Although I am employed by the VCS, I feel that my true employer is the veteran I serve. I feel that my job is to deliver the services that are requested of me by the veteran population as long as it is within my capability, pure and simple.

I would first like to offer my opinion on cigarette sales by the VCS. I have chosen to be a non-smoker. That is my right. Many veterans, for a wide variety of reasons, have chosen to smoke. That is their right. Smoking is a matter of personal choice.

I feel very strongly that I do not have the right to impose my opinion or choices on anyone else. Yet if cigarette sales are banned in my canteen, then in effect, that is what I would be forced to do. I feel as if I am now being increasingly placed in a position of restricting someone else's right to free choice by price increases in tobacco products in my store. I sell a pack of cigarettes in my store for $1.25, a 40 percent markup. Approximately 10 years ago, I would sell that same pack of cigarettes for no more than a 21 percent markup. I feel as if I am gouging the person I am in business to serve. What makes this even worse is that I can't see anyone benefiting by it. The veteran who has chosen to smoke doesn't benefit. He is paying more than what I believe is a fair and reasonable price. The VCS doesn't benefit. Each time cigarette prices are increased, we lose sales. The taxpayer doesn't benefit. There is no monetary gain to them. So where is the benefit? Are we attempting to become the Orwellian Big Brother to those who have served our country so proudly and so well?

I do not espouse the idea that if I charge more, the veterans will smoke less. If I do not sell cigarettes, the level of smoking by these hospitalized veterans will not decrease. The only thing that will change is where the cigarettes are purchased and the price paid.

This idea does not have my customers' interests at heart. Everyone is so caught up in getting on the no-smoking bandwagon that they have forgotten who paid for the wagon to be built.

One final point is that cigarettes are the only item which the VCS sells that is not uniformly priced. Any other item that is sold in my store can be purchased in any other canteen at the exact same price as in mine, except for cigarettes. This seems to go against General Bradley's intention for creating the Service.

My canteen is an A-76 test site. Literally weeks of man-hours have been used to complete the study. To my understanding the study has two purposes. First, to reduce FTEE and second, to save the Government money.

The VCS is a nonappropriated-fund service. We are self-sustaining—we cost the taxpayer nothing. In fact, I actually pay 1.5 percent of my gross sales to the medical center as rent for space occupied. What will the VA save if the VCS is contracted out? Nothing.

In compiling the study I felt that I was throwing buckets of water into a lake that was already overflowing its banks. This water will turn into a raging flood on August 16, 1988, due to recent DM&S A-76 directives which can decimate the VCS. Any business can come in to short-bid a contract, knowing full well that once they have taken over the service it would be next to impossible to remove them. They could then ask for and receive larger payments quite effortlessly.

The Canteen Service is able to provide uniform services because each individual canteen is part of a larger entity. While many sites individually lose money, the larger sites, such as my own, supplement this loss and create an overall organization which sustains itself and provides equal services to all veterans. Private contractors will have profits as their main concern. That is why they are called businesses. We of the VCS are first concerned with our customers' interests and needs. That is why we are called a service. I feel that General Bradley's original intention in setting up the Canteen Service as a government agency was to create a uniform product throughout the system. I am convinced that A-76 would totally defeat this dictum.

The VCS was organized in 1946 to pay for itself. In order for us to serve all veterans equally and to maintain our self-sufficiency, we must react to our customer base, the veteran. This concept is simple and very basic. Perhaps that is why it has worked so well and so long. The veterans and the VCS have a mutually satisfying relationship—if we take care of the veteran, we are in turn taking care of ourselves. I think that this relationship has been interfered with over the years and that this interference is increasingly separating the VCS from its origins. We are an organization designed to serve, not a bureaucracy designed to dictate.

Oversight and support functions have been curtailed under the new organizational structure due to the large number of canteens a Field Operation Specialists must assist. In 1981, there were 20 authorized operations specialists. Today there are only 8. This translates to an average of one specialist for every 22 canteens. Prior to the reorganization there was one supervisor for every 9 canteens. Although I am sure that my supervisor is doing his utmost to assist each of his canteens equally, I realize this has become an impossi-

ble task for him. I am of Slavic heritage, and we have a saying for situations such as this. Please pardon my bluntness, but the saying goes like this—you can't dance at two weddings with only one ass.

At the same time, the VCS audit staff has been removed from direct line supervision of the VCS and has had its staff increased from 5 to 10 positions, while still entirely funded by the VCS. Since its inception, the audit staff has performed most admirably under VCS control, so why has it been shifted to DM&S control? Please, allow us to operate without being restricted by too much bureaucratic largess.

I would like to close my testimony by affirming my confidence in the present management of the VCS. Morale within our organization has taken a definite upturn within the past year since the installation of the present VCS management team took place. This was not the case the last time we were here. I now feel that there is leadership and direction above me at the VCS. These leaders are not perfect and neither am I. We have made mistakes, but an organization must take risks in order to grow and progress and we are doing that now. Once again, we have become entrepreneurs.

Mr. Chairman, members of the subcommittee, I thank you.

[The prepared statement of Mr. Koval appears on p. 84.]

Mr. EVANS. Thank you.

Mr. Freiert?

STATEMENT OF PAUL FREIERT, ASSISTANT DIRECTOR, VETERANS' CANTEEN SERVICE FINANCE CENTER, ST. LOUIS, MISSOURI

Mr. FREIERT. Mr. Chairman and members of the subcommittee, I appreciate the invitation to provide my personal views regarding the matters that are before you this morning.

I am the Assistant Director of the Veterans' Canteen Service Finance Center in St. Louis, Missouri, and I count it a real privilege to have served America's hospitalized and domiciled veterans for 30 years during my career with the Canteen Service. On behalf of all Veterans' Canteen Service employees, I extend thanks to this committee for its vital interest and support to the organization, and a special note of thanks for the recent legislation and its favorable impact on the VCS.

As noted earlier this morning in Mr. Shalda's testimony, Title 38, USC, Section 42 says in part, "that the service shall function as an independent unit within the Veterans' Administration with exclusive control over all of its activities." This statement is reaffirmed in the DM&S Manual, M1, part 4, and in the VA's General Counsel Opinion dated October 8, 1957. It is ironic that while this requirement is simply and clearly stated, it is not a reality. The service is layered from above by having placed the Director of VCS and his staff several layers below the department head. Operational factors which are essential to line-authority control and the effective directions of a system comprised of 172 facilities are negatively impacted. Within the department the VCS frequently finds itself without the clout to resolve issues that arise between line-managers, such as medical center directors, regional directors, and the VCS. Issues are typically resolved as if the VCS were a staff

office with only a recommending role rather than a line-organization with full accountability. Thus, deference is typically paid to the medical center chain-of-command and the VCS is unable to meet its mandates.

In dealing with other departments and staff offices, the services and opinions that are received are often negatively impacted by the appearances that are created by placing the VCS several organizational levels below the department head. For example, despite the stated goals of the recent reorganization, our ability to recruit, retain, and pay employees in a manner that is commensurate with their actual duties and responsibilities has been hampered by the inescapable, unfavorable comparison of our positions to those of staff offices which are placed at a comparable level well down in the department.

The VCS Field Operations Division can not effectively control and provide counsel, advice, and support to the 172 VCS operations with an operations specialist staff consisting of only one per region and limited to only 1 or 2-day operational visits. Our field facility managers need, want, and deserve more than this restraint will permit. No similar enterprise in the private sector would be so restrictive. Our own VCS internal audit staff reports to a level above the VCS Director. This arrangement does not advance or promote uniform oversight and control principles.

Mr. Whittle's remarks this morning reminded me of a visit I made to a medical center a few days ago. My task for that day required me to arrive at 6 a.m. As I approached the front entrance, I observed an elderly wheelchair-bound patient in pajamas trying desperately to negotiate through the doors and frantically making his way down the sidewalk. The temperature was 50 degrees and it was raining steadily. Suddenly he stopped, turned his chair, and proceeded to light and apparently enjoy a cigarette. Upon inquiry, he told me that he had smoked all of his adult life but was no longer permitted to smoke in the hospital.

I do not smoke and I support fully the efforts to reduce smoking in order to improve health. However, my heart went out to this disabled veteran, who in my observation, had little of life's pleasures left to enjoy. This is the quality of life that the Price Waterhouse study refers to.

As we heard earlier, prior to 1984, the VA had exempted the VCS food services from the requirements of OMB Circular A-76. I have a most difficult time trying to rationalize the department's decision to include VCS in the inventory of activities to be studied since there are no potential savings to the agency or to the taxpayer, and when in fact, the department has not included some of the other costly and labor-intensive appropriated fund services. VCS should not be included in contracting out under the A-76 initiatives.

Mr. Chairman, the VCS has successfully survived the tribulations of previous years in the 1980's. Why the negative happenings were impacted upon the VCS remains a mystery. The hearing that was conducted September 18, 1985 by this committee was labeled, "as a landmark," by the Honorable Sonny Montgomery and was the springboard to the future and to better things for the Canteen Service. Our director, Mr. Mantica, has provided leadership and en-

thusiasm, has improved morale, and has introduced innovative merchandising programs. We stand ready and able to continue to improve our delivery of high quality merchandise and services to America's finest, our veterans, their families, and those who provide the care, support, and recognition that was earned by these veterans in service to this great nation. This concludes our testimony. We thank you for the invitation and the opportunity to provide our personal views on these issues and welcome the opportunity to respond to your questions.

[The prepared statement of Mr. Freiert appears on p. 87.]

Mr. EVANS. Thank you very much.

The committee understands that contracting out was not going to be a process that the Canteen Service was going to be subject to, at least not in the immediate future. I would like to direct several questions to specific individuals about the A–76 process.

Mr. Reider, I understand that the Canteen Service is economically interdependent. In other words, revenues produced by profitable canteens offset losses that are incurred by the less profitable canteens. What would be the economic impact of contracting out on the Veterans' Canteen Service's overall profitability?

Mr. REIDER. The overall profitability really is intangible at this point, Mr. Chairman, because the issue we are concerned about in this question of contracting out is that we lose control of our people. The contract as it is established is a labor-only contract. We feel that control of our manual food service employees is essential in order for us to be able to maintain our profitability. We feel that losing that control would cause us to lose revenue.

Mr. EVANS. Which canteens are proposed for contracting out, and have they been making a profit or not?

Mr. REIDER. The majority of our canteens have been making money in manual food operations. I have the locations of the first eight canteens that are scheduled. They are Boston, Massachusetts, Albany, New York, Syracuse, New York, Martinsburg, West Virginia, Danville, Illinois, Denver, Colorado, and San Diego, California.

Mr. EVANS. How were these canteens selected?

Mr. REIDER. I don't know how those particular canteens were selected at first. We have 74 canteens that are scheduled in this.

Mr. EVANS. It has been noted that the threat of applying A–76 has been used to stop the sale of tobacco products. In Milwaukee there was a threat of contracting out and there has been a threat in North Chicago that they might go to some food chain. If the Government were to involve itself at all in contracting out, it is supposedly in order to save money, not to interfere with the operation of a Government agency. Would you have any comments about that?

Mr. REIDER. The individual that you are talking about basically was only making a threat, as you indicated. The exclusive negotiation with the fast-food organization prior to discussion with the Canteen Service definitely would be a cost to the Government at the initial point. When we became involved, we were able to work with the medical center to bring them to the place where they would allow us to be involved. That would still have an adverse effect on our overall operation.

Mr. EVANS. Mr. Shalda, in addition to the Canteen Service, who engages in commercial activities at the Albany Medical Center, and what are those activities?

Mr. SHALDA. At Albany, we have the Employees' Association which is permitted to sell frozen meat to the employees. Voluntary Service has a soft ice cream machine that is set up separate from the Canteen Service. This is a product that the canteen would normally sell. Voluntary Service operates that and receives the revenue from that.

Mr. EVANS. Mr. Shalda, are the medical centers' directors attempting to exercise direct control over local canteen operations, and if so, does this occur frequently?

Mr. SHALDA. I would say that this is not very frequent. As I indicated, with most of the medical centers we have a very good working relationship. I have always experienced that as a canteen chief. As a field operations specialist, I have run in to those medical center directors who have attempted to take control of the canteen through the threats of contracting out, through threats to support A–76, or through threats to simply turn over more of our activities to employee associations or someone else on station if we would not comply with the request of the medical center director.

Mr. EVANS. Mr. Koval, the Canteen Service has demonstrated its commitment to serving veterans, but do you think that a private contractor might possibly have that same level of commitment?

Mr. KOVAL. I think that any business could try to strive for that level of commitment, but I do not think that businesses have the same primary concern. The first concern of a business is to make money. Our first concern is to take care of those whom we serve. While a private contractor may or may not be able to do what we do, I do not think that they could do it with the same level of commitment as an organization which has 40 proud years of service.

Mr. EVANS. I have a few more questions, but let me yield at this time to Mr. Stump.

Mr. STUMP. Mr. Chairman, I have a few to be submitted later for the record.

Mr. EVANS. Any questions that you may have for the witnesses that you wish to submit in writing, along with their responses will be included in the record of this hearing.

[The questions and answers thereto appear on p. 205.]

Mr. EVANS. Let me ask some general questions of the panel.

Under reorganization, the three field offices have been eliminated. Is the Canteen Service a better and more efficient organization now that all field offices have been eliminated, and how has the support that was previously provided to the canteens by the field offices been affected?

Mr. KOVAL. I am a canteen chief so I think I can answer that question. When I was in the Summerville office in New York my supervisor handled nine of us. Right now my supervisor handles 22 of us. I am lucky to have him in my locality. Many of the other supervisors are not stationed in their service locality. They are located here in Washington and they have to travel across country to get to their canteens. It takes two days travel-time to go back and forth to California. That limits the amount of time that these supervisors can spend at the canteens. The personal factor is de-

creased because of that and we don't have the frequent contact that we would like to have with our supervisors. Because of the number of canteens that they have to handle they are literally out of their office every other week. I do not think that is where they want to be.

Mr. EVANS. What actions have Department of Medicine and Surgery personnel taken to reduce or eliminate revenue losses resulting from the halting of canteen tobacco sales?

Mr. REIDER. The action that they have taken in conjunction with us was the over-the-counter drug sales program. We have started other innovative programs that we would like to think would offset the revenue losses, but we have not yet come up with the miracle that would offset the substantial loss of revenue from tobacco sales. We are working in that direction. One area that we have considered is the investing of our funds, but that has been stalled because of some misinterpretations of the law as it was written. We have been unable to invest our funds thus far. However, we are working to do that as soon as possible.

Mr. EVANS. One of the suggestions was to rent videotapes, but that would be more for the benefit of employees, would it not? I understand that most patients would not be able to use these videotapes. Is that correct?

Mr. REIDER. Our intention was to add the income through videotape rentals. Obviously, patients do not have videocassette players in each of their rooms, however, they can rent them in some of our locations.

Mr. EVANS. You would then rent the players as well?

Mr. REIDER. We could in some locations, but not all.

Mr. KOVAL. Excuse me, Mr. Chairman. I think that I can help answer that question. We rent videotapes at our location. In order to secure to the tape to the vendor, we only rent to patients who are long-term. We also encourage Recreation and Voluntary Services to rent these tapes and to have a wide variety of these tapes available to be taken up on the wards to be shown to a number of the patients. We do have patients who rent tapes, but they are our long-term patients.

Mr. EVANS. Do Canteen Service Central Office officials regularly report to DM&S, and if so, how frequently are reports expected to be made by those Canteen Service officials? Also, what are the subjects of those reports?

Mr. WHITTLE. Those reports are done on a daily basis and would range from financial to actually any type of service that we might have.

Mr. EVANS. Did you say on a daily basis?

Mr. WHITTLE. Yes, sir.

Mr. EVANS. I think that is all the questions that I have at this time. We may have some others to be submitted in writing. We do want to thank all of you for coming to express your personal opinions. I assure you that if you should have any problems as a result of coming to testify before this committee, we would like to know about that. Thank you very much for your time.

Our final witness today is Dr. Daniel Winship, the Assistant Deputy Chief Medical Director for Programs and Operations of the Veterans' Administration. Also present today, at the request of the

subcommittee, is Mr. Robert Mantica, Director of Veterans' Canteen Service. We want to welcome you both today.

Dr. Winship, we have received and reviewed your prepared statement and it will be made part of the official record. You may proceed in any manner you choose.

STATEMENT OF DANIEL H. WINSHIP, M.D., ASSISTANT DEPUTY CHIEF MEDICAL DIRECTOR, VETERANS' ADMINISTRATION; ACCOMPANIED BY MANSELL PIPER, DIRECTOR OF ADMINISTRATION; RALPH IBSON, DEPUTY ASSISTANT GENERAL COUNSEL; AND ROBERT MANTICA, DIRECTOR, VETERANS' CANTEEN SERVICE

Dr. WINSHIP. Thank you Mr. Chairman. I am pleased to be here today to discuss the Veterans' Canteen Service. On my right is Mr. Mansell Piper, our Director of Administration. On my left is Mr. Ralph Ibson, Deputy Assistant General Counsel, and of course as you know, on my far right is Mr. Robert Mantica, Director of Veterans' Canteen Service. Mr. Chairman, you have our full statement and I would like to summarize its contents very briefly.

Since the last hearing on the Canteen Service in September, 1986, we have taken action on two issues which were of particular concern to the subcommittee, the Director's position and the reorganization. In January, 1987, Mr. Robert Mantica, assumed the position of Director of VCS, thus ending a long period during which the Service was headed by an acting-director. Mr. Mantica has served the VCS for over 30 years. At the time of his appointment he was the Director of the Atlanta Canteen Regional Field Office. Mr. Mantica has brought much needed stability to the Service, raising its morale, both in the field and in the Central Office, and has set a new course which I believe has resulted in a service that is more productive and responsive to the needs of the canteen employees and those whom they serve.

The three VCS Field Offices in Atlanta, Denver, and Summerville were closed in July, 1987, and their functions were transferred to Central Office. The reorganization has improved the overall efficiency and effectiveness of the Service and its ability to carry out the mission for which it was established. That mission is to make available to veteran patients at reasonable prices articles of merchandise and services essential to their comfort and well-being.

Mr. Chairman, I now turn to the subject of the sale of tobacco products in VA canteens. We recognize that policy-making on this subject must take place within the framework of the VCS Statute. One of the policies reflected in that statute and entrusted to the Administrator is the requirement to select for sale items that are essential to patient comfort and well-being. Consistent with the Government-wide policy that is reflected in GSA regulations, nonsmoking is now the norm within the VA. The Administrator of Veterans' Affairs has expressed as a goal the maintenance of a healthy, smoke-free environment for all employees and beneficiaries. It has been our view that as a major health care provider, charged with a preventive health care mission, VA Medical Centers have a responsibility to take a leading role in preventing disease as well as their more traditional role in treating disease.

In that regard, the message that smoking is a health hazard may be blunted by the practice of selling tobacco products, which some view as an endorsement of the practice of smoking. Just as our canteens have not made available for sale certain products which are considered medically contraindicated, there has been much debate surrounding the appropriateness of the continued sale of tobacco products at VA canteens.

Our analysis of this subject recognized that policy-making had to take into account other important considerations, such as the financial impact on the VCS and the problems inherent in treating addiction to tobacco. Rather than setting forth a rigid system-wide proscription of tobacco product sales, the Chief Medical Director formulated and the Administrator approved a policy which permits individual medical center directors to initiate proposals to the CMD to authorize discontinuation of the sale of tobacco products at that center's canteen.

We developed guidelines for evaluating medical center requests for permission to discontinue sales of tobacco products in their canteens. Those guidelines provide a means of gauging the financial impact of the proposed change and limiting approval accordingly. We have no predetermined policy regarding a specific number of canteens at which tobacco products would cease to be sold by any particular future target dates. Of the total of 172 VA canteens, 27 do not sell tobacco products, and requests from 27 more facilities, asking for permission to discontinue sales, are pending.

Mr. Chairman, you have asked that we discuss the financial condition of the VCS. In fulfilling its mission the Canteen Service must achieve a balance between meeting the needs of those it serves and remaining a profitable operation. Indeed the Canteen Statute and the Anti-Deficiency Act require that the Canteen Service operate profitably. In addition to covering its operating expenses, the Service must generate additional income to cover the replacement of old equipment, the purchase of new equipment, and remodeling costs for the canteens. The Service needs to generate net income of approximately $4 million each year. We anticipate that in the current year, we will achieve net income of approximately $1.5 million.

In fiscal year 1989, however, the picture may be much brighter. An important reason is the recently enacted legislation, the intent of which is to enable VCS to invest its funds. I would like to say here, Mr. Chairman, that we are most grateful for this reform and we are attempting to move as expeditiously as we can to take advantage of the opportunity this presents.

Your focus today, particularly on VCS independence, financial condition, and viability suggests the importance of our highlighting another subject. VCS has been locked for some time in a dispute which in our view goes to the heart of the VCS mission, concerning what VA officials had long believed was the exclusive VCS role in VA Medical Centers.

The State of Minnesota filed a complaint with the Department of Education under the Randolph-Sheppard Act asserting that the State is entitled to a permit for a blind vending facility at the VA Medical Center in St. Cloud, Minnesota. We have long taken the position that VA canteens are generally exempt from the require-

ments of the Randolph-Sheppard Act. Based on that view, VCS denied Minnesota's request for a permit and urged the State to submit a bid for renewal of the contract. That response provoked a dispute which remains unresolved. The parties' differences were recently aired before a panel that was convened under the Randolph-Sheppard Act. We believe that a finding in support of Minnesota's position would have far-reaching adverse implications for VCS fiscal viability.

That concludes my testimony, Mr. Chairman, and we will be pleased to respond to your questions.

[The prepared statement of Dr. Winship appears on p. 90.]

Mr. EVANS. Thank you, Dr. Winship.

If the goal of the VA is to provide a smoke-free environment, then why is the VA, in at least one instance, using tobacco to reward desired patient behavior? Is this practice more widespread than at the one hospital that was mentioned, and if so, how and why is this done?

Dr. WINSHIP. I don't know why that is being done and I was not aware of it until I read about it in the Price Waterhouse report. We have now undertaken some discussions to attempt to determine exactly how widespread that practice is and what we should do about it. I do not condone that practice.

Mr. EVANS. We would like to know the results of your investigation into this issue if you would supply us with a summary of your actions taken in determining the facts, at least at this specific medical center, and at any others that may be involved.

[Subsequently, the Veterans' Administration furnished the following information:]

On July 1, 1988, at our national conference call with all Chiefs of Psychology, we discussed the issue raised in the Price Waterhouse report as to the use of tobacco as a reward for desired behavior in mental health programs.

The point was made emphatically that cigarettes are not be used as positive reinforcements in behavior modification settings. We also asked the Chiefs to inform their psychiatric and nursing counterparts.

On August 5, 1988, at our next national conference call for both Chiefs of Psychology and Psychiatry, we shall repeat our directive prohibiting the use of cigarettes as a therapeutic reward.

Mr. EVANS. How much of the revolving fund has been invested in an interest-bearing account and how much interest-income is projected on that investment?

Dr. WINSHIP. We have not yet invested any of the funds in the interest-bearing account, but we are working through the concepts with our General Counsel. We anticipate doing that in the very near future.

Mr. EVANS. What have been the savings or additional costs that resulted from the reorganization.

Dr. WINSHIP. I would like to refer that question to Mr. Piper to see if he has any specific information about that.

Mr. PIPER. Two years ago I testified that the savings were expected to be approximately $500,000. It appears to be in that range.

Mr. EVANS. Has the closure of the three field offices in Denver, Atlanta, and New Jersey improved the overall efficiency and effectiveness of the Canteen Service?

Mr. PIPER. I think that you heard one perspective and I think there is another. One of the things that I discovered at the time

when I took over this position was that since there were three field offices that were each doing their own thing, some were not communicating with the Central Office of the Canteen Service.

In speaking with Mr. Mantica the other day, I noted that one of the things that have been dramatically improved is communication within the Canteen Service and the elimination of delays.

Mr. EVANS. Where does the VA stand in regard to implementation of the contracting out of canteen food services under the provisions of Circular A-76?

Dr. WINSHIP. It has been the Administrator's decision that we will include the Canteen Service in this particular portion of A-76.

Mr. EVANS. Why hasn't this committee been notified of that decision?

Dr. WINSHIP. I'm sorry, I can not answer that, Mr. Evans.

Mr. EVANS. You can't answer that?

Dr. WINSHIP. No, I can't, but we will try to get that information for you.

[Subsequently, the Veterans' Administration furnished the following information:]

Pursuant to 38 U.S.C. § 5010 (c)(7), each year the Administrator advises Congress (the President of the Senate and the Speaker of the House of Representatives) of the extent to which activities at VA health care facilities have been performed by contractors under the provisions of OMB Circular A-76 in the prior fiscal year.

To date, 74 Veterans Canteen Service food services have completed A-76 most efficient organization studies and 8 are completing cost comparison studies in preparation for bid openings on August 15, 1988.

Pursuant to 38 U.S.C. § 5010 (c)(6), the Administrator must inform the appropriate Senate and House Committees when "contractor conversion" (contracting out) takes place. To date, no canteen food services have been contracted out. We shall inform the appropriate committees if this in fact takes place.

Mr. EVANS. The committee was under the impression that this was not occurring. We have heard allegations that it is being used in the Zablocki case, and perhaps in others, to pressure the canteens to comply with the order to discontinue tobacco sales. Any comments in that regard?

Dr. WINSHIP. Yes, I would like to comment on that. I believe that those are two quite separate issues from our perspective. It may well be that an individual medical center director, while dealing with people on a daily basis in his hospital, might bring such an issue up, but it is certainly not an issue from our point of view. It is not a mechanism which we are using in any way to bring any kind of pressure regarding the elimination of tobacco sales.

Mr. EVANS. I understand that several canteens are in the process of going through the A-76 procedures, and I understand that only canteens that are profitable have been selected. What authority is the basis of this activity?

Dr. WINSHIP. Mr. Piper has been very much involved in the administration of the A-76 issue and I would like to refer that to him.

Mr. PIPER. There were 74 canteens that were identified. They were not identified on the basis of profitability. They were identified on the basis of the number of food service workers that were employed in the food service areas. Criteria that was used to identify these 74 canteens was that they each had to have 10 or more food service employees.

Mr. EVANS. All of the canteens are interdependent. How well has the issue of contracting out been weighed in terms of the overall financial health of the Canteen Service generally? Is that a factor that you considered in the contracting out process?

Dr. WINSHIP. Mr. Piper?

Mr. PIPER. Food service itself is not being contracted out. The canteen manager will still have control over the price at which items will be sold and the quality of the food. He will contract for the preparation of the food through the food service workers, so he still has control. If they do not perform according to the specifications of the contract, he could declare the contract null and void.

Mr. EVANS. What I am asking is this. Since so many of the profitable canteens have been selected for contracting out, won't that affect the overall financial health of the interdependent canteens? Also, where is the profit from these contracting corporations going? Do they pay any fees to the VA for the use of the facilities and so forth?

Mr. PIPER. They only contract for the workers. The profits would still come to the Canteen Service and if the canteen was being well run and well managed, it would make just as much money in the food service as it would in any other service it provides.

Mr. EVANS. Let me yield to Congressman Stump.

Mr. STUMP. I have no questions at this time.

Mr. EVANS. At this time I would like to yield to our Chief Counsel of the full Committee on Veterans' Affairs, Mack Fleming.

Mr. FLEMING. Mr. Piper, if it is just for the preparation of food, then why do it?

Mr. PIPER. That decision was made by a former Chief Medical Director and a former Administrator. I can't answer for how the decision was made.

Mr. FLEMING. Give me your view. Does it make sense just to contract out for the preparation of food? Why would it be limited to that?

Mr. PIPER. As I answered the previous question, I have no idea how they made the decision or on what basis it was made.

Mr. FLEMING. Whoever made the decision did not tell you on what basis the decision was being made?

Mr. PIPER. I was not in this particular position at the time that the decision was made, so I would have no way of knowing.

Mr. FLEMING. In other words, for us to get to the bottom of the contracting out issue, we really need to go to the Administrator or someone on his staff. DM&S did not make this decision then. Is that a fair statement, Dr. Winship?

Dr. WINSHIP. As far as I know that is correct.

Mr. FLEMING. We are talking about non-appropriated monies here. Why would the Administrator, or anyone else, want to contract out for anything in the Canteen Service when the FTEE does not count, as far as the ceiling is concerned, and when appropriated money is not involved? I can understand why some jobs or services might be contracted out, but why hit Canteen Service?

Dr. WINSHIP. That's a good question, for which I do not have an answer.

Mr. FLEMING. Your testimony has made this hearing a smoking vs. non-smoking issue. That is not the purpose of the hearing. But

since we are into it, let me ask this question: Right now is there a smoking policy in VA hospitals?

Dr. WINSHIP. Yes, there is, in the vast majority of them.

Mr. FLEMING. Certainly one can understand that eventually there may be a smoke-free environment in VA hospitals and in other hospitals. But until that decision is made—given the fact that a lot of the canteens depend on the sale of tobacco products to offset losses—why would you move to ban the sale of cigarettes throughout the Canteen Service? If I understand the situation correctly, in most hospitals a room is set aside where patients and employees can go to smoke.

Dr. WINSHIP. Different hospitals handle that in different ways, but essentially that is the mechanism that is used.

Mr. FLEMING. Does it make sense financially to take away your biggest profit-maker while you have a policy that allows smoking in the hospital?

Dr. WINSHIP. If we were only concerned with the financial aspects of this, Mr. Fleming, then we would probably encourage tobacco sales because they are the most productive and profitable item that we have. However, that is not the issue.

Mr. FLEMING. What is the issue? I thought the issue to be the financial integrity of the Canteen Service.

Dr. WINSHIP. The issue is one of health, of the well-established adverse health effects of tobacco use, and of the increasing emphasis in the American public and in medicine toward doing away with tobacco.

Mr. FLEMING. I do not dispute any of that, but if smoking is the issue here, then why do you continue to have a smoking policy in the hospitals?

Dr. WINSHIP. Because we do not believe that we would gain more than we would lose by suddenly putting such a restrictive policy in place. We believe that because of the pervasive nature of tobacco sales and tobacco usage we should have a more gradual policy of doing away with this problem, while moving toward the goal of a smoke-free environment and the elimination of tobacco sales. This makes much more sense than stopping suddenly.

Mr. FLEMING. I think the Price Waterhouse study suggests that the VA should not immediately stop the use of tobacco in all of your hospitals, so what you are saying appears to be consistent with the study results.

Dr. WINSHIP. I think we agree with that because we have been moving that way for a while now.

Mr. FLEMING. But I must say again, as long as you continue the smoking policy in the hospitals, does it make sense to have the patient walk across the street to get his or her cigarettes? And does it make sense to have the Canteen Service suffer the loss of revenue?

Dr. WINSHIP. I believe that those are separate issues. Those are really not tied together in any inseparable way. I think that they are separate issues—whether we have a smoke-free environment and whether or not we sell tobacco products in our canteens—I believe that those two can move along parallel tracks, but are not necessarily inseparable.

Mr. FLEMING. Who made the decision to stop the sale of cigarettes at some canteens?

Dr. WINSHIP. We have a process in place now, the net result of which is that a decision is made in individual canteens for the cessation of the sale of cigarettes. That process really begins when the medical center Director makes a request through the Regional Director to Central Office. According to the process which we have in place, the VA Canteen Service evaluates that request against certain guidelines, and then the request is either approved or denied. I ultimately sign the paper that approves the request or denies it.

Mr. FLEMING. Given the financial impact those decisions have on the financial integrity of the Canteen Service, why would it be a local initiative? Why would a hospital director be allowed to make the decision rather than a general policy from Central Office?

Dr. WINSHIP. There would be really two ways that we could go about it. One would be to set an across-the-board policy that says we are going to do it a certain way. The other would be to leave it as individual initiatives. Our decision was simply to leave it as initiatives of hospitals, in such a way that when they believe they are ready to pursue this action, then they can come in for that. I think it is a matter of judgment.

Mr. FLEMING. So the local hospital director decides whether he wants to allow tobacco sales in canteens?

Dr. WINSHIP. In most cases, the decision to recommend that tobacco sales at a facility be discontinued is a result of a smoking committee which has been set up in the hospital.

Mr. FLEMING. Who are the members of such a committee?

Dr. WINSHIP. There may be a number of different people in the given hospital. Many hospitals do have smoking committees, and the way that I envision this is that the people who are on the committee would make the petition to the Director for the cessation of sales. I can imagine in some other scenarios, where the Director may feel very strongly about the issue himself, that he or she might make the request to the committee to do the staff work that is necessary. In any case, the formal request comes from the Director.

Mr. FLEMING. That gets back to the issue at hand here, which is the control that the hospital director has over the day-to-day operation of the Canteen Service. If the director feels strongly that the sale of cigarettes should cease, then he can make the decision even though the director of the Canteen Service may not agree. The point is the canteen director should have some say in all this, should he not?

Dr. WINSHIP. The canteen director is not the person who is responsible for the milieu of the hospital.

Mr. FLEMING. He is responsible for the financial integrity of his canteen.

Dr. WINSHIP. That is correct, but he would not be the person who is responsible for caring for the comfort and well-being of the veteran. That is basically the responsibility of the medical center Director. I am not arguing the point that the medical center Director has any line-authority over the Director of the Canteen Service. I am not arguing that at all, because he does not. In fact, wherever he tries to take that role, I believe that he is misguided. I believe, however, that there are others besides the canteen Director who

have a lot to do with those things which are in the best interest of the comfort and well-being of the patients in the hospital.

Mr. FLEMING. Are you saying that the directors of the hospitals should make that decision?

Dr. WINSHIP. I think that the Director of the hospital is the person who ultimately has that responsibility.

Mr. FLEMING. Are patients on the smoking committees?

Dr. WINSHIP. I can't answer that, Mr. Fleming. I can concede that there may be some places where that is true, but the ones that I have known about did not have patients on the committee.

Mr. FLEMING. Then what you are saying is that the decision as to whether the canteen sales of cigarettes will be left with the hospital director—and not only that—but that he also decides the make-up of the smoking committee. Is that correct?

Dr. WINSHIP. Yes, he certainly can do that.

Mr. FLEMING. The committee could consist only of physicians then?

Dr. WINSHIP. It could. However, the committees that I have been aware of have included a wide segment of the staff of the hospital and even some Veterans' Service Officers.

Mr. FLEMING. What is the Administrator's position on this? He is the one responsible for the operation and financial well-being of the Canteen Service.

Dr. WINSHIP. I believe that he has gone on record in support of the mechanism that I have described to you.

Mr. FLEMING. Do you mean the idea of leaving it up to the local hospital director?

Dr. WINSHIP. This was based on a decision of the Chief Medical Director supported by the Administrator.

Mr. FLEMING. By this Chief Medical Director?

Dr. WINSHIP. Yes.

Mr. FLEMING. The policy that is now in effect which leaves the decision as a local initiative was the decision of the Chief Medical Director with the approval of this Administrator?

Dr. WINSHIP. I believe it was the current one.

Mr. FLEMING. Is the current policy a new policy or is it the same policy that was in effect with the previous Administrator and the previous Chief Medical Director?

Dr. WINSHIP. I am not sure of that.

Mr. FLEMING. Do you know, Mr. Piper?

Mr. PIPER. I think that the practice has been for some time that any medical center could request the cessation of the sale of cigarettes and that request would be reviewed by the Chief of the Canteen Service to see whether or not it should be approved. I think that policy has been in existence since the early 1970's.

Mr. FLEMING. This would be the head of the Canteen Service in Washington that you are referring to?

Mr. PIPER. Yes, sir.

Mr. FLEMING. Mr. Mantica, have you approved this policy?

Mr. MANTICA. I have worked in conjunction with Mr. Piper in developing this policy.

Mr. FLEMING. Were you asked to help develop this policy?

Mr. MANTICA. Yes, sir.

Mr. FLEMING. Do you approve of it?

Mr. MANTICA. Somewhat, yes.

Mr. FLEMING. Somewhat?

Mr. IBSON. Mr. Fleming? In fairness to Mr. Mantica it should be stated that the policy was initiated at the request of the present Administrator. A series of options were presented to our current Chief Medical Director who made a proposal to the Administrator which was adopted. All of that took place before Mr. Mantica assumed his present position. Mr. Mantica's involvement has been in the implementation of the policy, after the Administrator and Chief Medical Director had made the decision.

Mr. FLEMING. Is there anything in writing setting out this policy signed by the current Chief Medical Director and the current Administrator?

Mr. IBSON. I believe that there was a submission to the Administrator and that its adoption was informal and oral.

Mr. FLEMING. So there is nothing in writing on any of this. It is just a mutual understanding, correct?

Mr. IBSON. I believe that the submission that proposes and articulates the general policy is in writing.

Mr. FLEMING. Could we ask, Dr. Winship, that whatever is in writing be submitted to the committee?

Dr. WINSHIP. Yes, we will do that.

[See p. 94.]

Mr. EVANS. Dr. Winship, there were some recommendations that you made concerning the canteen in Milwaukee after tobacco sales were closed there. Your letter included such suggestions as closing down the domiciliary canteen, eliminating weekend operation of the main canteen for retail and manual food service, expanding vending service to all remote areas of the medical center, and increasing cold drink prices by 10 percent. However, only the last of those has occurred in Milwaukee.

My question is this. If the VA is serious about trying to discontinue sales of tobacco products—and I might support them in trying to do so—what action is going to be necessary in order to maintain the financial viability of the Canteen Service? Also, I understand that the VCS pays 1.5 percent of gross revenues, approximately $1.8 million per year, for rent. Under these conditions that you are pursuing, would it be your recommendation that we reduce or waive the payments of this amount of money to offset the losses to the VCS? Wouldn't that be at least one thing that the VA could do to help maintain the VCS as an organization and to preserve its financial integrity?

Dr. WINSHIP. Before I answer that specific question, let me comment on your earlier statement, Mr. Chairman. I said that I thought that fiscal viability was not the only consideration. I do think that it is an important consideration, and I would not accept any statement which indicated that I do not think it to be important. I do, and in fact, I think that it is required that we maintain fiscal viability and we will do everything that we can to see to that.

As to your question, one option could be that we could waive some or all of that amount. We have not taken that action—and I can not tell you that we will take that action or that it will be the action that I will recommend to the Chief Medical Director—but I think that it is a very important option that we need to explore

very carefully to determine whether it would be in our best interest to do that.

Mr. EVANS. Since you made recommendations that have not been followed thus far in Milwaukee, what will be the net loss from Milwaukee and the other facilities that have already banned tobacco sales this year, and how are we going to offset those losses? Do you know those figures?

Dr. WINSHIP. No, I don't know those figures right off-hand.

Mr. Mantica, do you have those figures?

Mr. MANTICA. Milwaukee was making in excess of $100,000 per year prior to cessation of tobacco sales.

Mr. EVANS. Do we know how much they will lose?

Mr. MANTICA. They will make approximately $51,000 this year.

Mr. EVANS. They will make $51,000 this year without tobacco sales?

Mr. MANTICA. That is the projection.

Mr. EVANS. Is that why some of the other recommendations were not followed?

Dr. WINSHIP. Let me address that. No, that is not why the other recommendations were not followed.

Mr. EVANS. First of all, let me ask you this. Were these recommendations or were they orders?

Dr. WINSHIP. They are very strong recommendations.

Mr. EVANS. Is that like when my D.I. told me to do something? Is that what you are saying?

Dr. WINSHIP. Pretty much the same, yes, sir.

Since they were not followed, I personally had a meeting with the Director of the VA Medical Center there. I thought that I probably had two courses of action to choose from. One would be to reverse that decision of his, and the other would be to deal with his action in some other way, perhaps as a disciplinary action. I am still in the process of determination as to what may be appropriate in the latter, since we gave our basic approval for cessation of tobacco sales last November and I think that reversal on that would send a message that I do not want to send about my stance on tobacco sales.

Mr. EVANS. You mentioned a case before the Department of Education on the applicability of the Randolph/Sheppard Act at the VAMC at St. Cloud. Certainly it is the intent that the VCS operate independent of this and other similar provisions of the law, but if that is unclear, can you make any recommendations that might make it clear?

Dr. WINSHIP. I am not certain that any other recommendation is necessary at the moment because we do not have a final judgment yet. I do think that if the judgment goes against our position, that we might need some help. I would like to ask Mr. Ibson to comment further on that.

Mr. IBSON. I certainly concur with Dr. Winship's comments and would be happy to draft something as a technical service to the committee at such time as you feel that to be in order.

Mr. EVANS. Mr. Mantica, do you have any comment on this issue?

Mr. MANTICA. I think that would be a good course of action.

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Mr. EVANS. I have no other questions. Thank you for your time Dr. Winship and all of you.

That concludes our witnesses today. The committee will be taking a closer look at the potential banning of tobacco sales throughout the VA Medical Centers, and at the contracting out of services that this committee was not notified about in advance of this hearing. We are in very strong opposition to this generally and we would like to get some clear answers about this from the VA. We view the VCS as an effective way to help the patients, their families, and the staff at the VA Medical Centers and the other facilities. We will continue to keep a close eye on this issue as we proceed.

We do appreciate the interest and participation of all involved here today. I appreciate the ranking Republican Member, Mr. Stump, coming to be with us for the entire time.

Thank you all very much. The subcommittee stands adjourned.

[Whereupon, at 10:48 a.m., the subcommittee was adjourned, to reconvene at the call of the Chair.]

APPENDIX

STATEMENT OF

GORDON R. THORSON, SPECIAL ASSISTANT
NATIONAL LEGISLATIVE SERVICE
VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

WITH RESPECT TO

THE VETERANS' CANTEEN SERVICE
AND THE SALE OF TOBACCO PRODUCTS

WASHINGTON, D. C. JUNE 23, 1988

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

The Veterans of Foreign Wars appreciates this opportunity to present the viewpoint of our organization. We serve as advocates for over 2.9 million men and women directly affiliated with the VFW and indirectly for the millions of veterans, dependents and survivors impacted by the Veterans Administration through its many programs.

The Veterans' Canteen Service (VCS) was established by the United States Congress with the enactment of Public Law 79-636. The service was created to furnish at reasonable prices merchandise and services necessary for the comfort and well-being of veterans in hospitals and domiciliaries operated by the Veterans Administration. The Congress originally appropriated $5 million, back in 1946, to establish the canteen service and no additional appropriations have since been necessary. In fact VCS has returned over $20 million to the United States Treasury to include over $8 million recently returned under the provisions of "The Balanced Budget and Emergency Deficit Control Act of 1985," (Public Law 99-177). This makes the VCS one of the few profit-making entities within the federal government and a financial asset to the Veterans Administration.

During the past 42 years VCS has steadily improved and expanded its facilities to provide canteen services to veterans in all VA medical centers and domiciliaries. These operations are self-sustaining and require no federal appropriation from the Congress as all necessary revenues are obtained from non-federal sources. The VCS has an enviable record and has certainly fulfilled and even exceeded their original mandate--to provide merchandise and services necessary for the comfort and well-being of hospitalized veterans.

Most recently VFW Field Representatives from our Veterans Service unit have noted certain innovative approaches used by some VCS units. The VCS located in Dallas, Texas, should be complimented for, and even emulated in, its efforts to provide a variety of services to the veterans they serve. Our people report that the Dallas facility offers numerous dining options, allowing their diners a choice: a hot meal line, a sandwich line or a salad line at the main cafeteria. Further options include: a pizza parlor, a hot dog stand, a yogurt machine or a fried chicken and biscuit counter. If the patient is short of available funds to pay for the services offered, an Automatic Teller Machine (ATM) is located on station. This is an excellent example of the canteen services responsiveness and resourcefulness in its effort to provide first-class service to veterans.

Today we are faced with a very difficult decision; "Should the sale of tobacco products be eliminated from all VCS operations and smoking be banned from all VA facilities."

The Veterans Administration Department of Medicine and Surgery (DM&S) has already tightened restrictions on smokers in all facilities. DM&S policy states: cigarette smoking is widely recognized as the major preventable cause of many disabling and lethal diseases in the United States today. DM&S cites the relationship between smoking and emphysema, bronchitis and cancers of the lung, larynx and bladder. Smoking is also considered a major contributing factor in coronary artery disease and peripheral vascular disease. The VA

further asserts that nonsmokers should avoid exposure to second-hand tobacco smoke as much as possible. The VA has taken action on this position by implementing a program designed to reduce and eventually eliminate smoking areas in VA facilities. They justify their efforts as being in keeping with the growing burden of scientific evidence on the deleterious health effects of smoking and the VA's obligation to provide a safe environment for patients, visitors and staff.

As an extension of this VA smoking policy, VCS has started reducing the number of canteens selling tobacco products and they have contracted with the firm of Price Waterhouse to analyze the effect of tobacco sales on VCS operations. Price Waterhouse has issued its final report, dated May 25, 1988, entitled, "STUDY OF THE IMPLICATIONS OF ELIMINATING THE SALE OF TOBACCO PRODUCTS IN CANTEENS." The study clearly states that VCS can expect: A direct revenue loss as a result of no tabacco sales, an indirect revenue loss as a result of reduced sales of items normally bought with tobacco products, and the removal of tobacco will adversely affect a significant number of extended care patients. Price Waterhouse went on to say; "Many of these patients now smoke and will continue to do so whether or not the local canteen sells tobacco products. If these patients do not buy their tobacco from the canteen, other sources with higher prices will likely develop to exploit the demand. We recommend, therefore, that the VCS move more slowly in removing tobacco products from facilities with patients whose main source of cigarettes is the canteen, i.e., those facilities with a high percentage of extended care patients."

Price Waterhouse reports that: the cumulative effect of the elimination of tobacco sales would result in a direct financial loss of approximately $8 million per year to the VCS. This loss of income would effectively reduce a once profit making operation to just another government program dependent on the whim of the appropriation process.

The Veterans of Foreign Wars recognizes the nationwide movement toward a smoke-free environment and we are aware of the VA's concern for a smoke-free environment within VA medical centers. While we acknowledge that problems associated with smoking have been well recognized for over 20 years, and the evidence is continuously growing, we do not feel that this requires hasty action that would ignore the rights of individuals and overlook the needs of veterans served by VAMCs, especially those veterans housed in long-term care facilities.

Tobacco products have yet to be declared illegal by the United States Congress and a prohabition on the sale of tobacco products is not in the foreseeable future. However, many well-intended non-smokers are attempting to force their will on the unwilling.

Smoking is hazardous to ones health and it's understood that the unwelcomed habit can contribute to disease and even lead to death...But smokers realize the dangers and by continuing to smoke they are acknowledging their eventual fate. These individuals have made their choice and each VA facility should continue to set aside an area for their use, thus acknowledging and allowing their right to smoke.

We cannot support total elimination of tobacco products from VCS stores. The VFW has long been on record calling for: A phased cessation of sales in canteens located at tertiary care facilities, while continuing their availability in medical centers with long-term psychiatric and/or domiciliary populations. This approach would preclude possible "black markets" in the long-term care facilities with their concomitant financial hardships. It would also prevent the potentially harmful psychological pressures of having to quit an addiction practically "cold turkey" by a patient population particularly ill-equipped to do so.

Finally, we are gravely concerned that the apparent sense of urgency to implement a VA policy controlling a "harmful substance" may lead to other actions which could be perceived as arbitrary and cavalier, ceasing the provision of other "harmful substances" such as coffee, tea, and soft drinks containing caffeine.

This is clearly a controversial and sensitive issue which requires a balanced approach.

STATEMENT OF
FREDRIC L. LAUGHLIN, PARTNER
PRICE WATERHOUSE

BEFORE
THE COMMITTEE ON VETERANS' AFFAIRS
OVERSIGHT AND INVESTIGATIONS SUBCOMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES
100TH CONGRESS, 2ND SESSION

June 23, 1988

STATEMENT OF
FREDRIC L. LAUGHLIN, PARTNER
PRICE WATERHOUSE
BEFORE
THE COMMITTEE ON VETERANS' AFFAIRS
OVERSIGHT AND INVESTIGATIONS SUBCOMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES
100TH CONGRESS, 2ND SESSION
June 23, 1988

My name is Fredric L. Laughlin. I am a Partner in Price Waterhouse's Office of Government Services, and the Partner-in-Charge of the Management Science and Economics Special Practice Unit. I have 15 years experience in the firm conducting program evaluations, cost-benefit analyses, and management studies for public and private sector clients. I received my D.B.A. in Economics and Operations Research from The George Washington University and a B.S. in Engineering from the U. S. Military Academy.

The purpose of my testimony today is to summarize the work performed by Price Waterhouse for the Veterans Canteen Service (VCS). Price Waterhouse was engaged by the VCS in January 1988 to conduct a study of the Implications of Eliminating the Sale of Tobacco Products in Canteens. (A copy of the Request for Proposal is attached to this testimony.) We issued a Final Report on May 25, 1988. It is my understanding that subcommittee members and staff have reviewed this report and are familiar with our study. I would like to thank you for inviting me today to review our work.

My statement today is an overview of our work and is divided into three parts:

- o Project Objectives
- o Project Approach and Methodology
- o Results and Findings

Project Objectives

The primary objectives of our study were to:

- o Identify and assess the effects of removing tobacco products from VCS Canteens
- o Identify possible strategies for the VCS in a tobaccoless environment

Project Approach and Methodology

The approach and methodology employed during this project consisted of five main work phases:

- Background Research - Through interviews with VCS Central Office staff and a review of relevant literature, we familiarized ourselves with VCS operations and data, as well as tobacco-related issues.
- Statistical Analysis - Using VCS revenue and expense data, we examined the relationship between profitability and canteen operating characteristics.
- Site Visits - We visited 10 Veterans Administration Medical Centers (VAMC) to collect relevant information and data.
- Develop Results and Recommendations - Using appropriate analytical tools, data, and other information, we addressed questions posed at the outset of the project and formulated recommendations for the VCS regarding the removal of tobacco.
- Produce Final Report - We incorporated the results and recommendations into our final report.

This engagement was conducted between January and May 1988.

Results and Findings

Our study identified three major findings.

Finding 1: Removal of Tobacco Products would reduce VCS Profits significantly

Our analysis of the financial implications of removing tobacco products indicates two primary effects:

- Direct Effect - Had the VCS simply removed tobacco products from their shelves in 1987, they would have foregone $7.32 million in income.
- Indirect Effect - In addition, VCS would have lost approximately $835,000 in income that resulted from tobacco tie-in sales.

Our analysis of possible replacement products indicates that, even using optimistic assumptions and scenarios, none of the products we examined has the same characteristics and revenue potential for the VCS as tobacco.

Finding 2: The relationship between the Medical Center Director and the Canteen Chief is key to developing appropriate responses to tobaccoless canteens at a local level.

The Medical Center Director at each VAMC exercises substantial control over the operations of the local VCS canteen. Therefore, each VCS Canteen Chief and Medical Center Director should work together to develop the local canteen strategies and policies that will reduce the impact caused by eliminating tobacco sales.

Finding 3: There is an important relationship between the length of patient visit and the financial impact on a patient due to the cessation of tobacco sales in canteens.

Assuming that a patient who smokes would continue to smoke regardless of the VCS tobacco decision and assuming that the smoker would pay more for the tobacco whatever the new source is, the longer a patient (smoker) stays in a VAMC, the greater the financial impact of tobaccoless canteens on the patient. Because a decision to stop tobacco sales should recognize this, we developed a Health Care Index (HCI) which measures the proportion of extended care treatment in each facility. This HCI could be useful in establishing a policy for phasing out tobacco sales.

Summary

Although the sale of tobacco products has important financial and operational implications for the VCS, it was our observation from interviews with VCS and VA staff that there is considerable pressure to ban not only tobacco sales in hospitals, but smoking altogether. There is a nationwide movement toward a smoke-free environment, a mood that has carried over to the VA. Still, the presence of older smokers in the VA Medical Centers forces the agency to acknowledge the financial impact on those individuals who would be denied access to tobacco products from the canteens. Over time, the percentage of patients who are smokers can be expected to decrease.

VCS canteen operations differ because of customer type and size of customer base. Based on this, we do not recommend that a specific timetable be established for phasing out tobacco, should the VA follow this course. It may require some time for the present attitudes and laws to settle. During this period, we

believe that the VCS should continue to monitor the results from canteens that have removed tobacco and act as a clearinghouse for ideas that can be used to supplement lost tobacco income. Finally, we suggest that the Health Care Index be a key factor in deciding which VAMC's should cease selling tobacco products.

STATEMENT OF WORK

Study of the Implications of Eliminating the Sale of Tobacco Products in Veterans Administration Medical Center Canteens.

1. Introduction. The veterans Canteen Service (VCS) was established in 1946 by Public Law 636, 79th. Congress, as an independent unit within the Veterans Administration with exclusive control over all its activities, including sales, procurement and supply, and finance.

VCS operates canteens (retail stores, cafeterias, and vending services) and provides other services such as barber shops, in all VA medical centers for the convenience of patients, staff and visitors.

VCS is a non-appropriated activity, i.e., it does not receive an annual appropriation from the Federal Government but supports itself from sales in canteens. VCS is required by OMB Circular A-34 (the Anti-Deficiency Act) to operate profitably.

VCS gets a significant portion of its income from the sale of tobacco products. At present 27 canteens do not sell tobacco products and more than twenty medical center requests to discontinue are pending. (See Attachment A.)

Hence, VCS has decided to undertake a study, the purpose of which will be to determine the practical consequences of decreasing tobacco sales and what it needs to do to offset the subsequent loss of income.

2. Study Objectives. The objectives of the study are:

a. To identify factors associated with profitability in canteens not now selling tobacco products;

b. To identify factors associated with non-profitability in canteens not now selling tobacco products;

c. To assess the results of eliminating tobacco sales on both individual canteens and the VCS as a whole, including (a) loss of income, (b) loss of other sales.

d. To identify courses of action to offset the loss of tobacco income, and to estimate how long it would take to recoup lost income, given the implementation of suggested strategies.

3. Methodology. The study is expected to take about 84 workdays (Monday - Saturday, exclusive of Federal holidays). The study methodology will consist essentially of a comparative analysis of data relating to the 'tobaccoless' canteens (TC's) and a group of 'control' canteens (CC's) selling tobacco and having characteristics similar to TC's.

The TC's can be divided into profitable canteens (PTC's) and unprofitable canteens (UTC's) and compared with profitable and unprofitable CC's.

Some factors that can be considered important are: the location of the canteen; available floor space; urban/rural setting of hospital; competition in area; sales per FTEE; merchandise selection; quality of food; 'big ticket' items; hours of operation.

4. Data Collection. Data will be collected in two ways -- on site and through review of VCS Central Office and Finance Center files. In the analysis, the contractor must estimate not only the primary, financial impact on individual canteens of eliminating tobacco but also the secondary impacts, including:

a. The effect on other sales,i.e., the degree to which customers whose primary purpose in shopping in the canteen is the purchase of tobacco products reduce their buying of other products.

b. Measurable 'unintended consequences.'

c. Any 'positive' effect on the sale of other items.

Where applicable, standard statistical techniques will be used in the comparative data nalysis. However, given the small size of the population under study and the nature of the issue, it will be necessary for the contractor to devise new analytical techniques.

5. Time-table and Deliverables. The contractor will adhere to the following:

ITEM	DELIVERABLE	TIME
a. Meet with TOPM to discuss detailed work plan.	Ten copies of work plan.	10 workdays from award.
b. Discuss review of VCS data with TOPM.	Five copies of report on data review.	15 workdays from award.
c. Formulate methodology and data-gathing techniques and discuss with TOPM.	Five copies of methodology.	20 workdays from award.
d. Begin field visits.		30 workdays from award.
e. Report preliminary findings on field visits to TOPM.	Five copies of report on field visits.	60 workdays from award.
f. Draft final report to TOPM.	Ten copies of draft report.	74 workdays from award.
g.Final report (CON'T.)	Ten copies of (CON'T.)	84 workdays (CON'T.)

to VCS management.	final report to TOPM, one to Contracting Officer, and one to COTR. Also, two camera-ready masters to TOPM.	from award.

6. Place of Delivery. All deliverables shall cite the contract number and be delivered to :

Veterans Administration
Veterans Canteen Service (133)
806 15th St., NW,
Washington, D.C. 20005.

A copy of all final drafts and reports will also be sent to:

Veterans Administration
Procurement Office (93A)
Marilyn Martin
810 Vermont Avenue, NW
Washington, DC 20420

7. Reporting Requirements. Changes to the original Statement of Work will be documented and approved only through written correspondence between the VA Contracting Officer and the contractor. A copy of each change will be kept in a project folder along with other products of the project. The contractor will provide bi-weekly, written progress reports by the third working day of the following week. The contractor will meet at least weekly with the TOPM to provide a progress briefing and answer any questions the TOPM, COTR or Contracting Officer may have. The contractor will be prepared to assist in an oral presentation to the VA ~~and external parties~~ following completion of all tasks. ~~If for any reason these documents/meeting cannot be delivered within the scheduled time frame, a formal memorandum to the TOPM is expected~~.

SEE INSERT A

8. Guidance for Findings and Recommendations. The contractor will consider the data and information collected and presented in this study in terms of the following:

a. Utility as a basis for decision-making by VCS and the VA.

b. The cost-effective use of VCS resources.

c. Practicality and consistency with sound management practices and principles.

9. Confidentiality and Non-Disclosure. It is agreed that:

a. The preliminary and final deliverables and all associated working papers and other material deemed relevant by the VA which have been generated by the contractor in the performance of this task order are the property of the U.S. Government.

b. The Administrator of Veterans Affairs or his authorized

designee will be the sole authorized official to release verbally or in writing any data, the draft deliverables, or final deliverables, or any other written or printed materials pertaining to this technical review tasking. No information will be released by the contractor. Any requests for information relating to this tasking presented to the contractor will be submitted to the Veterans Administration for response.

INSERT A

If, for any reason, any deliverable cannot be provided within the scheduled time frame, the contracter is required to submit a request for a time extension to the Contracting Officer. This request will cite the reasons for the delay, the impact on the overall project, and the impact on the cost of this task, either increased or decreased. The Contracting Officer will consider each request on the basis of its merits and will, if appropriate, issue a modification to the task order. The contractor is required to proceed as scheduled until such modification is issued. The contractor shall have the right of appeal under the disputes clause if the request for extension is denied.

STATEMENT OF PAUL H. REIDER, STAFF ASSISTANT
BEFORE THE HOUSE VETERANS AFFAIRS SUBCOMMITTEE
ON OVERSIGHT & INVESTIGATIONS

June 23, 1988

Mr. Chairman and members of the subcommittee:

I sincerely appreciate this opportunity to appear before this Subcommittee, for the first time, to discuss issues involving the Veterans Canteen Service. When I was a Canteen Chief, I corresponded with this Subcommittee concerning the issues I will address today.

My colleagues and I will be addressing specific subjects of our personal concern as you requested in your invitational letter to each of us.

The Veterans Canteen Service has been mandated as an independent organization within the Veterans Administration since it was established in 1946 under Public Law 79-636 (38 USC, Chapter 75). Our purpose is to serve the veteran patient by offering, at reasonable prices, articles of merchandise and services essential to their comfort and well being. We offer food services, at reasonable prices, to patients, employees, volunteers, and visitors. As a VCS employee for more than 22 years I can proudly say that I have always tried, to the best of my ability to further the VCS mission. Since the reorganization of the VCS in 1986, we have initiated a range of programs which we feel have enhanced our overall service, for example, we now offer over the counter drugs in our Retail Stores. This will enable the VCS to increase revenue and at the same time reduce the overall cost of non-prescription drugs to the VA.

Our new VCS Director, who was appointed in January 1987, has given us the leadership and direction our organization so desperately needed. He has instilled in all of us a new sense of confidence and boosted morale throughout the Service. For example, he held regional meetings and allowed canteen management to express their viewpoints on any subject concerning the VCS. He candidly and personally answered all questions aired. I feel confident that he has put our organization back on track providing more efficient and productive service to our veterans. We are progressing. However, since our reorganization, I believe our oversight and support of our canteens has been weakened. This subject will be addressed by others at this table.

My personal concerns include OMB Circular A-76 and it's threat to our independence.

OMB CIRCULAR A-76

This Committee has received testimony concerning A-76 and its relation to the Veterans Canteen Service on two past occasions, specifically our first hearing on September 18, 1985 and our second hearing on September 24, 1986. (Copy Attached). As early as May 12, 1982, the ACMD for Administration testified before this committee that "because of the definition in title 38 for the Canteen Service, we have considered it exempt". VA Circular 00-84-8, dated April 25, 1984, excluded the VCS operations from the requirements of OMB Circular A-76. Then from left field came VA Circular 00-84-32, dated September 12, 1984, including the VCS food service for study under A-76. When this occurred my reaction was that the VCS was to be the sacrificial lamb of the VA. This action, in my opinion, was a threat to our independence.

My colleagues and I have corresponded with members of the committee, before and since those hearings, expressing our concerns over this matter, however, our concerns continue to exist. We are told by DM&S that our organization is just conducting studies to improve our efficiency and effectiveness of our Canteen food services. If this is true, why has a TWX dated June 7, 1988 on solicitations for bids been released, indicating bid opening dates commencing August 15th, 1988 and running through August 15th, 1989, with the obvious intent to contract out? (Copy Attached).

Contracting out our food services, in my opinion, will not benefit the veteran patient. It can only parallel the type of service rendered prior to 1946, which determined the reason legislation was enacted to create the Veterans Canteen Service. That was a time when the quality of service was inadequate, when private concessionaires lacked compassion and understanding for the patient, when all they cared to do was "make a buck".

The Veterans Canteen Service has been financially self sustaining for more than 41 years. We continue to expand and improve our services to Veteran patients through innovative programs. We provide food services at virtually no cost to the government. How then will contracting out be a cost savings to the Government?

Recent enactment of Public Law 100-322 provides that employees of the Veterans Canteen Service shall not be considered to be VA employees for purposes of any personnel ceilings which may otherwise be applied to VA employees by the President. Where then will the contracting out of VCS employees reduce appropriated fund FTEE from the VA? The answer to that question is obvious. It will not. Why then is a non-appropriated fund organization, in this case the VCS, being included with other VA appropriated activities in this A-76 solicitation process? The first bid opening date is August 15, 1988. That date is approaching fast.

It is my personal opinion, based on PL100-322, the Veterans Canteen Service, having exclusive control of its FTEE, and being a non-appropriated fund activity, should be exempt from A-76 cost comparison studies, for the purpose of contracting out. May I suggest, Mr. Chairman, this Committee's review of the entire A-76 issue and it's relation to the VCS. We are running out of time. Once the solicitation for bids begin there is no stopping the process. I request your help in this matter. I thank you Mr. Chairman for this opportunity to speak. I would like to submit my statement with attachments for the record. We will be available for questions you may have.

TELEGRAPHIC MESSAGE

NAME OF AGENCY	PRECEDENCE	SECURITY CLASSIFICATION
VACO WASHINGTON, DC	ACTION: P INFO:	
ACCOUNTING CLASSIFICATION	DATE PREPARED: 6/7/88	FILE
FOR INFORMATION CALL		
NAME: SAM SCHILDHAUS/DAVID LEPPO	PHONE NUMBER: 373-2740/3014	TYPE OF MESSAGE: ☐ SINGLE ☒ BOOK ☐ MULTIPLE-ADDRESS
THIS SPACE FOR USE OF COMMUNICATION UNIT		

MESSAGE TO BE TRANSMITTED (*Use double spacing and all capital letters*)

TO:
DIRECTOR, ALVAMC (REGIONAL DIRECTORS, DISTRICT DIRECTORS)

SUBJ: RESUMPTION OF A-76 SOLICITATION PROCESS

00/1. THE DM&S A-76 PROGRAM WILL RESUME IN A FULLY OPERATIONAL MANNER EFFECTIVELY IMMEDIATELY. SIMULTANEOUS RELEASE OF ALL SOLICITATIONS WOULD UNDULY STRAIN SUPPORT SYSTEMS VA-WIDE. THE CMD AND THE ASSOCIATE DEPUTY ADMINISTRATOR FOR MANAGEMENT HAVE AGREED TO A SOLICITATION PHASE-IN PLAN WHEREBY GROUPS OF APPROXIMATELY 40 SOLICITATIONS EACH WILL BE RELEASED EVERY EIGHT WEEKS.

2. THE PHASE-IN SCHEDULE IS BASED ON THE FOLLOWING CRITERIA:

(A) THE SERVICES' PRIORITIZATION OF FACILITIES;

(B) THE EQUITABLE DISTRIBUTION OF STUDIES ON A GEOGRAPHICAL BASIS; AND

(C) THE REQUIREMENT THAT NO FACILITY WOULD CONDUCT MORE THAN ONE A-76 SOLICITATION AT A TIME.

3. THE ISSUE CONCERNING USE OF THE TWO-BIDDER RULE IN DM&S A-76 PROCUREMENTS HAS BEEN RESOLVED. SECTION 401 OF P.L. 100-322, DATED MAY 20, 1988, AMENDS SECTION 5010(C)(2) OF TITLE 38 BY INSERTING

SECURITY CLASSIFICATION		
PAGE NO. 1	NO. OF PGS. 15	

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ACCOUNTING CLASSIFICATION	DATE PREPARED	FILE
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THIS SPACE FOR USE OF COMMUNICATION UNIT		

MESSAGE TO BE TRANSMITTED *(Use double spacing and all capital letters)*

TO:

"RESPONSIVE BIDS ARE RECEIVED FROM AT LEAST TWO RESPONSIBLE, FINANCIALLY AUTONOMOUS BIDDERS AND" AFTER "ONLY IF." THIS MEANS THAT FOR DM&S COST COMPARISONS, THE VA MUST RECEIVE BIDS OR PROPOSALS FROM TWO OR MORE RESPONSIBLE AND RESPONSIVE PRIVATE CONTRACTORS FOR EACH COST COMPARISON, OR THERE WILL BE NO COST COMPARISON OR AWARD.

4. THE DM&S A-76 SOLICITATION PROCESS HAS BEEN ON HOLD SINCE MAY 1987. DUE TO THE LENGTHY SUSPENSION OF ACTIVITY, ALL A-76 SOLICITATIONS MUST BE ADVERT'SED AGAIN. THIS READVERTISEMENT IS TO BE ACCOMPLISHED BY PLACING TWO NOTICES IN THE COMMERCE BUSINESS DAILY OVER A 30 DAY PERIOD. SOLICITATIONS ARE TO BE ISSUED 15 DAYS AFTER THE FIRST NOTICE APPEARS. BID OPENING DATES ARE TO BE SCHEDULED NOT LESS THAN 30 DAYS FROM THE DATE THE SOLICITATION IS TO BE ISSUED. DEVIATIONS FROM THE PHASE-IN SCHEDULE WILL BE FORWARDED TO THE DM&S PRODUCTIVITY MANAGEMENT GROUP (10A41C).

5. IT IS ANTICIPATED THAT THE PROPOSED VA ACQUISITION REGULATION PUBLISHED IN THE FEDERAL REGISTER ON FEBRUARY 22, 1988, PAGES 5201-5204, WILL BE ADOPTED AS A FINAL RULE SHORTLY. THE TWO-BIDDER

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☆ U.S. Government Printing Office 1988—241-826/80048 14-103

TELEGRAPHIC MESSAGE

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MESSAGE TO BE TRANSMITTED *(Use double spacing and all capital letters)*

TO:

RULE, HOWEVER, HAS BEEN MANDATED BY PL 100-322 FOR DM&S. IN ANTICIPATION OF THE FINAL RULE, PLEASE INCLUDE THE FOLLOWING NEW VAAR CLAUSES AS THEY APPEARED IN THE FEDERAL REGISTER ON FEBRUARY 22:

852.207-70 "REPORT OF EMPLOYMENT UNDER COMMERCIAL PRODUCTS" (HOWEVER, MODIFY PARAGRAPH B(1) BY INSERTING THE WORD "PERMANENT" BETWEEN "ANY" AND "FEDERAL")

852.207-71 "NOTICE OF COST COMPARISON -- SUPPLEMENT"

852.207-72 "COST COMPARISON CRITERIA -- VA MEDICAL FACILITIES"

852.207-73 "COST OF SOCIAL SECURITY (EXCEPT MEDICARE) AND THRIFT/PROFIT SHARING PLAN CONTRIBUTIONS"

6. AGENCY-LEVEL GUIDANCE WILL BE ISSUED IN THE NEAR FUTURE, CONCERNING A-76 APPEAL PROCEDURES.

THE ORDER OF SOLICITATIONS IS AS FOLLOWS:

FIRST GROUP BID OPENING DATE AUGUST 15, 1988:

CHAUFFEUR SERVICE LEAVENWORTH, KS

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	PAGE NO. 3	NO. OF PGS. 15

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TELEGRAPHIC MESSAGE -

NAME OF AGENCY	PRECEDENCE ACTION INFO.	SECURITY CLASSIFICATION
ACCOUNTING CLASSIFICATION	DATE PREPARED	FILE
FOR INFORMATION CALL		
NAME	PHONE NUMBER	TYPE OF MESSAGE ☐ SINGLE ☐ BOOK ☐ MULTIPLE-ADDRESS

THIS SPACE FOR USE OF COMMUNICATION UNIT

MESSAGE TO BE TRANSMITTED *(Use double spacing and all capital letters)*

TO:

FIRE PROTECTION SERVICE	BATH, NY
	PERRY POINT, MD
	CHILLICOTHE, OH
	FT. MEADE, SD
	KNOXVILLE, IA
	FT. HARRISON, MT
	SHERIDAN, WY
GROUNDS MAINTENANCE	MURFREESBORO, TN
	FT. LYON, CO
	DALLAS, TX
LAUNDRY SERVICE	BEDFORD, MA (GOCO/COCO)
	WILKES-BARRE, PA (COCO ONLY)
	SALEM, VA (GOCO/COCO)
	SALISBURY, NC (COCO ONLY)
	LOUISVILLE, KY (COCO ONLY)
	DAYTON, OH (GOCO/COCO)
	HINES, IL (GOCO ONLY)

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	4	15

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ACCOUNTING CLASSIFICATION	DATE PREPARED	FILE
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THIS SPACE FOR USE OF COMMUNICATION UNIT

MESSAGE TO BE TRANSMITTED *(Use double spacing and all capital letters)*

TO:

LAUNDRY SERVICE	ST. CLOUD, MN (GOCO ONLY)
	SALT LAKE CITY, UT (GOCO/COCO)
	W. LOS ANGELES, CA (COCO ONLY)
	OKLAHOMA CITY, OK (COCO ONLY)
	PALO ALTO, CA (GOCO ONLY)
SWITCHBOARD SERVICE	NEW YORK, NY
	MIAMI, FL
	MINNEAPOLIS, MN
	CLEVELAND, OH
TRANSCRIPTION SERVICE	NASHVILLE, TN
	MILWAUKEE, WI
VETERANS CANTEEN SERVICE	BOSTON, MA
	ALBANY, NY
	SYRACUSE, NY
	MARTINSBURG, WV
	DANVILLE, IL
	DENVER, CO
	SAN DIEGO, CA

SECURITY CLASSIFICATION	PAGE NO.	NO. OF PGS.
	5	15

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Previous editions usable NSN 7540-00-634-3068 ☆ U.S. Government Printing Office: 1983—401-880/03040 14-102

TELEGRAPHIC MESSAGE

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ACCOUNTING CLASSIFICATION	DATE PREPARED	FILE
FOR INFORMATION CALL		
NAME	PHONE NUMBER	TYPE OF MESSAGE ☐ SINGLE ☐ BOOK ☐ MULTIPLE-ADDRESS

THIS SPACE FOR USE OF COMMUNICATION UNIT

MESSAGE TO BE TRANSMITTED *(Use double spacing and all capital letters)*

TO:

VETERANS CANTEEN SERVICE	SAN ANTONIO, TX
WAREHOUSE SERVICE	BUFFALO, NY
	CINCINNATI, OH
	WACO, TX

SECOND GROUP BID OPENING DATE OCTOBER 14, 1988:

FIRE PROTECTION SERVICE	FT. LYON, CO
GROUNDS MAINTENANCE	WACO, TX
LAUNDRY SERVICE	BATH, NY (GOCO ONLY)
	WEST HAVEN, CT (COCO ONLY)
	LEBANON, PA (GOCO/COCO)
	BAY PINES, FL (GOCO ONLY)
	LAKE CITY, FL (GOCO ONLY)
	CHILLICOTHE, OH (GOCO ONLY)
	BATTLE CREEK, MI (GOCO ONLY)
	MADISON, WI (COCO ONLY)
	SIOUX FALLS, SD (GOCO/COCO)
	OMAHA, NE (GOCO ONLY)
	ALEXANDRIA, LA (GOCO/COCO)

SECURITY CLASSIFICATION		
	PAGE NO. 6	NO. OF PGS. 15

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GSA FPMR (41 CFR) 101-35.304

Previous editions usable NSN 7540-00-634-2040 ☆ U.S. Government Printing Office: 1989—661-005/82040 14-102

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NAME	PHONE NUMBER	TYPE OF MESSAGE ☐ SINGLE ☐ BOOK ☐ MULTIPLE-ADDRESS

THIS SPACE FOR USE OF COMMUNICATION UNIT

MESSAGE TO BE TRANSMITTED *(Use double spacing and all capital letters)*

TO:

LAUNDRY SERVICE	KERRVILLE, TX (GOCO/COCO)
SWITCHBOARD SERVICE	WASHINGTON, DC
	MEMPHIS, TN
TRANSCRIPTION SERVICE	TUSKEGEE, AL
	CLEVELAND, OH
	HINES, IL
	DENVER, CO
	MINNEAPOLIS, MN
VETERANS CANTEEN SERVICE	PROVIDENCE, RI
	TOGUS, ME
	RICHMOND, VA
	ASHEVILLE, NC
	CHARLESTON, SC
	NASHVILLE, TN
	CINCINNATI, OH
	IOWA CITY, IA
	LOMA LINDA, CA
	PHOENIX, AZ

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THIS SPACE FOR USE OF COMMUNICATION UNIT		

MESSAGE TO BE TRANSMITTED (Use double spacing and all capital letters)

TO:

WAREHOUSE SERVICE	NORTHPORT, NY
	MURFREESBORO, TN
	ALLEN PARK, MI
	DAYTON, OH
	NORTH CHICAGO, IL
	ST. LOUIS, MO
	SEPULVEDA, CA
	TEMPLE, TX

THIRD GROUP BID OPENING DATE DECEMBER 15, 1988:

CHAUFFEUR SERVICE	ST. LOUIS, MO
FIRE PROTECTION SERVICE	BUTLER, PA
	HAMPTON, VA
	MARION, IN
	TOMAH, WI
	LIVERMORE, CA
	AMERICAN LAKE, WA
	ALEXANDRIA, LA

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REVISED 11-80
GSA FPMR (41 CFR) 101-11.206

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TELEGRAPHIC MESSAGE

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ACCOUNTING CLASSIFICATION	DATE PREPARED	FILE
FOR INFORMATION CALL		
NAME	PHONE NUMBER	TYPE OF MESSAGE ☐ SINGLE ☐ BOOK ☐ MULTIPLE-ADDRESS

THIS SPACE FOR USE OF COMMUNICATION UNIT

MESSAGE TO BE TRANSMITTED *(Use double spacing and all capital letters)*

TO:

GROUNDS MAINTENANCE	LEBANON, PA
	DAYTON, OH
	MILWAUKEE, WI
LAUNDRY SERVICE	BROCKTON, MA (GOCO/COCO)
	BUFFALO, NY (GOCO ONLY)
	MURFREESBORO, TN (GOCO ONLY)
SWITCHBOARD SERVICE	SAN FRANCISCO, CA
TRANSCRIPTION SERVICE	NEW ORLEANS, LA
	SAN ANTONIO, TX
VETERANS CANTEEN SERVICE	BEDFORD, MA
	LYONS, NJ
	WILKES-BARRE, PA
	PITTSBURGH (UD), PA
	SALEM, VA
	COLUMBIA, SC
	ATLANTA, GA
	BIRMINGHAM, AL
	MEMPHIS, TN

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	9	15

STANDARD FORM 14
REVISED 11-80
GSA FPMR (41 CFR) 101-35.306

Previous editions usable NSN 7540-00-634-3968

☆ U.S. Government Printing Office 1982—361-066/83040 14-108

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THIS SPACE FOR USE OF COMMUNICATION UNIT

MESSAGE TO BE TRANSMITTED *(Use double spacing and all capital letters)*

TO:

VETERANS CANTEEN SERVICE	GAINESVILLE, FL
	MIAMI, FL
	ANN ARBOR, MI
	COLUMBIA, MO
	OMAHA, NE
	OKLAHOMA CITY, OK
	TUCSON, AZ
WAREHOUSE SERVICE	BILOXI, MS
	TAMPA, FL
	TUSKEGEE, AL
	LEXINGTON, KY
	BATTLE CREEK, MI
	CLEVELAND, OH
	RICHMOND, VA

FOURTH GROUP BID OPENING DATE FEBRUARY 15, 1989:

TRANSCRIPTION SERVICE	PALO ALTO, CA
FIRE PROTECTION SERVICE	CASTLE POINT, NY
	MONTROSE, NY

SECURITY CLASSIFICATION

PAGE NO.	NO. OF PGS.
10	15

STANDARD FORM 14
REVISED 11-80
GSA FPMR (41 CFR) 101-35.206

Previous editions usable NSN 7540-00-634-3968

☆ U.S. Government Printing Office: 1988—521-066/82000 14-102

ELEGRAPHIC MESSAGE

NAME OF AGENCY	PRECEDENCE ACTION: INFO:	SECURITY CLASSIFICATION
ACCOUNTING CLASSIFICATION	DATE PREPARED	FILE
FOR INFORMATION CALL		
NAME	PHONE NUMBER	TYPE OF MESSAGE ☐ SINGLE ☐ BOOK ☐ MULTIPLE-ADDRESS

THIS SPACE FOR USE OF COMMUNICATION UNIT

MESSAGE TO BE TRANSMITTED *(Use double spacing and all capital letters)*

TO:

FIRE PROTECTION SERVICE	NORTHPORT, NY
	MARTINSBURG, WV
	MURFREESBORO, TN
	BATTLE CREEK, MI
	HINES, IL
	MINNEAPOLIS, MN
	LITTLE ROCK, AR
GROUNDS MAINTENANCE	CANANDAIGUA, NY
	CLEVELAND, OH
LAUNDRY SERVICE	NORTHAMPTON, MA (GOCO ONLY)
	LYONS, NJ (GOCO ONLY)
	MIAMI, FL (GOCO/COCO)
	NORTH CHICAGO, IL (GOCO/COCO)
	DENVER, CO (GOCO ONLY)
	SAN DIEGO, CA (GOCO/COCO)
	SAN ANTONIO, TX (GOCO/COCO)
	WACO, TX (GOCO ONLY)

SECURITY CLASSIFICATION		
	PAGE NO. 11	NO. OF PGS. 15

STANDARD FORM 14
REVISED 11-80
GSA FPMR (41 CFR) 101-26.206

Previous editions usable NSN 7540-00-634-3948

☆ U.S. Government Printing Office: 1982—361-866/83040 14-103

TELEGRAPHIC MESSAGE

NAME OF AGENCY	PRECEDENCE ACTION INFO.	SECURITY CLASSIFICATION
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FOR INFORMATION CALL		
NAME	PHONE NUMBER	TYPE OF MESSAGE ☐ SINGLE ☐ BOOK ☐ MULTIPLE-ADDRESS

THIS SPACE FOR USE OF COMMUNICATION UNIT

MESSAGE TO BE TRANSMITTED *(Use double spacing and all capital letters)*

TO:

VETERANS CANTEEN SERVICE	BROCKTON, MA
	COATESVILLE, PA
	EAST ORANGE, NJ
	PITTSBURGH (HD), PA
	WASHINGTON, DC
	FAYETTEVILLE, NC
	AUGUSTA, GA
	BILOXI, MS
	DAYTON, OH
	HINES, IL
	INDIANAPOLIS, IN
	KANSAS CITY, MO
	ST. LOUIS, MO
	TOPEKA, KS
	DES MOINES, IA
	FRESNO, CA
WAREHOUSE SERVICE	NEW YORK, NY
	SAN JUAN, PR

SECURITY CLASSIFICATION		
	PAGE NO. 12	NO. OF PGS. 15

STANDARD FORM 14
REVISED 11-65
GSA FPMR (41 CFR) 101-35.306

Previous editions usable NSN 7540-00-634-3966

☆ U.S. Government Printing Office 1966—681-696/22048 14-108

TELEGRAPHIC MESSAGE

NAME OF AGENCY	PRECEDENCE ACTION INFO.	SECURITY CLASSIFICATION
ACCOUNTING CLASSIFICATION	DATE PREPARED	FILE
FOR INFORMATION CALL		
NAME	PHONE NUMBER	TYPE OF MESSAGE ☐ SINGLE ☐ BOOK ☐ MULTIPLE-ADDRESS

THIS SPACE FOR USE OF COMMUNICATION UNIT

MESSAGE TO BE TRANSMITTED *(Use double spacing and all capital letters)*

TO:

WAREHOUSE SERVICE	WEST HAVEN, CT
	MOUNTAIN HOME, TN
	COLUMBIA, SC
	MEMPHIS, TN

FIFTH GROUP BID OPENING DATE APRIL 14, 1989:

FIRE PROTECTION SERVICE	CANANDAIGUA, NY
	NORTHAMPTON, MA
	LYONS, NJ
	TUSKEGEE, AL
	CLEVELAND, OH
	WHITE CITY, OR
CHAUFFEUR SERVICE	BATH, NY
	DAYTON, OH
	NORTH CHICAGO, IL
GROUNDS MAINTENANCE	BROOKLYN, NY
WAREHOUSE SERVICE	SAN DIEGO, CA
LAUNDRY SERVICE	SAN JUAN, PR (GOCO ONLY)
	MARTINSBURG, WV (COCO ONLY)

SECURITY CLASSIFICATION

PAGE NO.	NO. OF PGS.
13	15

STANDARD FORM 14
REVISED 11-80
GSA FPMR 141 CFR) 101-35.304

Previous editions usable NSN 7540-01-154-3960 ☆ U.S. Government Printing Office 1988—561-804/83040 14-102

TELEGRAPHIC MESSAGE

NAME OF AGENCY	PRECEDENCE ACTION: INFO:	SECURITY CLASSIFICATION
ACCOUNTING CLASSIFICATION	DATE PREPARED	FILE
FOR INFORMATION CALL		
NAME	PHONE NUMBER	TYPE OF MESSAGE ☐ SINGLE ☐ BOOK ☐ MULTIPLE-ADDRESS

THIS SPACE FOR USE OF COMMUNICATION UNIT

MESSAGE TO BE TRANSMITTED *(Use double spacing and all capital letters)*

TO:

LAUNDRY SERVICE	RICHMOND, VA (GOCO/COCO)
	(CONSOL. WITH HAMPTON)
	TUSCALOOSA, AL (GOCO/COCO)
	TUSKEGEE, AL (GOCO/COCO)
	MILWAUKEE, WI (COCO ONLY)
	FARGO, ND (GOCO ONLY)
VETERANS CANTEEN SERVICE	BUFFALO, NY
	MOUNTAIN HOME, TN
	JACKSON, MS
	LEXINGTON, KY
	TAMPA, FL
	ALLEN PARK, MI
	LEAVENWORTH, KS
	W. LOS ANGELES, CA
	NEW ORLEANS, LA

SIXTH GROUP BID OPENING DATE JUNE 15, 1989:

CHAUFFEUR SERVICE	BROCKTON, MA
	LYONS, NJ

SECURITY CLASSIFICATION

PAGE NO.	NO. OF PGS.
14	15

STANDARD FORM 14
REVISED 11-80
GSA FPMR (41 CFR) 101-35.304

Previous editions usable NSN 7540-00-634-2048

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ACCOUNTING CLASSIFICATION	DATE PREPARED	FILE
FOR INFORMATION CALL NAME	PHONE NUMBER	TYPE OF MESSAGE ☐ SINGLE ☐ BOOK ☐ MULTIPLE-ADDRESS

THIS SPACE FOR USE OF COMMUNICATION UNIT

MESSAGE TO BE TRANSMITTED *(Use double spacing and all capital letters)*

TO:

CHAUFFEUR SERVICE	CLEVELAND, OH
LAUNDRY SERVICE	ALBUQUERQUE, NM (GOCO/COCO)
SWITCHBOARD SERVICE	LONG BEACH, CA
VETERANS CANTEEN SERVICE	NORTHPORT, NY
	MILWAUKEE, WI
	HOUSTON, TX
	TEMPLE, TX
WAREHOUSE SERVICE	BOSTON, MA
	MIAMI, FL
	SAN ANTONIO, TX

SEVENTH GROUP BID OPENING DATE AUGUST 15, 1989:

WAREHOUSE SERVICE	BROCKTON, MA
VETERANS CANTEEN SERVICE	CLEVELAND, OH

7. IF YOU HAVE ANY QUESTIONS, CONTACT THE STRATEGIC PLANNING, PRODUCTIVITY MANAGEMENT GROUP (10A41C) FTS 373-2740/3014.

DANIEL A. WINSHIP, M.D.

ASSOCIATE DEPUTY CHIEF MEDICAL DIRECTOR

DLEPPO/T BEADLE(5640m) 93D ~~10A41C~~ ~~10A4~~ 10A

SECURITY CLASSIFICATION	PAGE NO.	NO. OF PGS.
	15	15

STANDARD FORM 14
REVISED 11-83
GSA FPMR (41 CFR) 101-35.304

Previous editions usable NSN 7540-00-634-3960 ☆ U.S. Government Printing Office: 1988—481-006/03040 14-102

THE AMERICAN LOGISTICS ASSOCIATION

Testimony Presented To
Committee On Veteran Affairs

—

U. S. House of Representatives

Regarding the Veterans Canteen Service

September 18, 1985

Presented By: A. Kolbet Schrichte
Executive Vice President

My name is Kolbet Schrichte; I serve as the Executive Vice President of the American Logistics Association. On behalf of the Association's Board of Directors and membership, thank you for this opportunity to summarize for you some of the information and insights we have presented for the record.

The American Logistics Association is a voluntary trade association which represents manufacturers, distributors and brokers of goods to the Veterans Canteen Service as well as to the military resale and troop subsistence systems. Our membership is as diverse and representative as the items that appear on grocery or retail store shelves. The majority of our corporate members also are major suppliers to civilian food service, grocery and retail outlets.

We hope our understanding of the structure, operations and organization of the private sector can be helpful to the Subcommittee as you analyze the function and effectiveness of the Veteran Canteen Service. We also hope you will call on us in any way in which we can assist the Committee in carrying out its oversight responsibility.

I would like to describe some key elements of private industry; some of the unique characteristics of the Veterans Canteen Service and how these canteens are supplied. Next, I'd like to outline some results if canteens were contracted out or turned over to the private sector, including

87-987 O - 88 - 3

how that would affect the care given to our hospitalized veterans; and some fiscal and legal implications.

The American Logistics Association has steadfastly voiced its deep concern over the issue of contracting out under the guidelines of A-76.

We believe that the A-76 guidelines themselves support our concern. It is significant that A-76 guidelines recognized the special nature of certain governmental functions, though they are not specifically named, and observes in paragraph 4(b) that, "Certain functions are inherently governmental in nature, being so intimately related to the public interest as to mandate performance by Federal employees." This key statement reinforces the ALA's basic premise. Certain services to military personnel and veterans (in this case the Veterans Canteen Service) have statutorily acquired a special nature and are intimately related to the public interest.

Canteens stabilize the quality of life regardless of the geographic location, size, or circumstance. The same pricing structure is enjoyed by all canteens regardless of size. It is, however, the help of the volume of the large metropolitan canteens that permits this nationwide equalization of low prices.

The superlative record of productivity of the canteen systems is probably unmatched in any other comparable system.

Perhaps a private contractor could provide the service to a large hospital in a profitable manner, but it is highly unlikely that there would be incentive or profit justification for providing the same quality of service to the many remote hospitals. Although the current focus is only on food operations, one must realistically project that other functions will follow.

The Office of Management and Budget guidelines on cost savings are illusory. It would be a rather simple task for a test contractor to show a five to ten or even 15 percent savings to the patron over the short period of one or two years. A contractor would account for his low profits in these years as an investment towards greater future profits. That's elementary business practice. In the out years 1987, '88, and '89, there would be an inevitable rise in costs. That is, there would be a reduction in cost effectiveness.

There are some legal impediments to canteen privatization. Let me mention just three of them. In each, it is necessary to make the distinction between food services such as the dietary food served patients for subsistence and food service that is discretionary and purchased by canteen patrons. food products.

State sales taxes, where imposed, apply to sales made within a state; some states where canteens are operated impose a tax on both wholesale and retail sales. A use tax generally applies to the use of personal property in a business, regardless of who owns the property. The Veterans Administration does not pay sales taxes on purchases from canteens. The Supreme Court has held that payment of use taxes by the government are barred by the Supremacy Clause of the United States Constitution. Sales taxes on canteen purchases are also barred by the Buck Act (4 U.S.C, o 105(a), 107(a)(b).
We believe that contracting out will result in the imposition of both use and sales tax on canteen operations, as to purchases by the operator of the canteen, the operator's use of government-owned personal property, and sales. Obviously, this tax will ultimately be paid by the canteen patrons, thus reducing these canteen benefits.

The Robinson-Patman Act prohibits price discrimination in purchases of "like grade and quality" commodities where the effect of the discrimination lessens competition. There is a rebuttable presumption that any such discrimination lessens competition. Generally, the government is immune from the Act's effect. Because the United States is immune, a person who sells to the government also is immune. Therefore, manufacturers can -- and do -- offer discriminatory price reductions to the canteens without fear of the Act. However,

the Act's inapplicability to canteens will end if the contracting-out plan is adopted, because the government would likely no longer be a party to the transactions. Contracting out will result in higher costs to the VA patron as this important element of the canteens' reduced costs comes to an end.

Among other things, the Sherman Act prohibits contracts and combinations in restraint of trade. The United States cannot be sued for violating the Act's prohibitions; generally, private parties that do nothing more than accept exclusive government contracts also are immune. It is possible, however, that contracting out canteens on an exclusive basis might, in some cases, result in violations of the Sherman Act by both the manufacturer who sells to the canteen and the private party operating such canteens. Of course, any activity by the private party operating the canteen in restraint of trade -- including access to the canteen itself -- could result in Sherman Act violations. Keeping in mind, as we must, that we are talking about a criminal statute, some study of the Sherman Act problem should be undertaken -- with Department of Justice and Federal Trade Commission input -- before contracting-out is pursued.

Finally, I'd like to suggest that the canteen service is one which delivers a benefit to the veterans that is "the best deal in town." The facts are clear. Here you have a benefit which can serve a great number of people that returns money

to the U.S. Treasury. Canteens also fulfill the need to honor commitments made to veterans at no cost to the non-veteran taxpayer. Since the canteen is there, the more customers who use the canteen, the greater the productivity. Meanwhile, Industry, represented by this Association will continue to work toward its goal...to provide the best possible price to all our military personnel, including veterans.

Thank you very much for his opportunity to testify. Please let us know if we can be of further assistance. I'd be happy to answer any questions.

I respectfully request that the record on these hearings be held open for ten days in order that the American Logistics Association may clarify any points raised by other witnesses.

STATEMENT OF RODNEY S. KIRK, ASSISTANT DIRECTOR
NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION
THE AMERICAN LEGION
BEFORE THE SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON VETERANS AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
SEPTEMBER 18, 1985

Mr. Chairman and Members of the Subcommittee:

The American Legion appreciates this opportunity to appear before this Subcommittee to present the Legion's views on the Veterans Administration Canteen Service.

The VA Canteen Service was created under the authority of Public Law 79-636 (38 USC, Chapter 75) on August 7, 1946. Section 4208 provides that "...the Service shall function as an independent unit within the Veterans Administration and shall have exclusive control over all its activities including sales, procurement and supply, finance, including disbursements, and personnel management..."

Prior to the establishment of a uniform canteen service, concessionaires haphazardly operated cafeterias, soda fountains, cigarette stands, and snack bars at those VA medical centers where a sure profit could be realized. There was no canteen service available at many of the smaller and remote VA medical centers because of limited profit potential.

Privately operated canteens resulted in numerous complaints including inadequate service, sanitation problems, blatant abuses and exploitation by operators; all at the expense of the veteran. In 1945, General Omar Bradley, then Administrator of Veterans Affairs, ordered that an in-depth survey be conducted by members of the Army Exchange Service, to determine the cause of the unsatisfactory services that were being realized. As a result of

this survey confirming the need for immediate improvements, the VA Canteen Service officially became a non-appropriated government instrumentality within the Veterans Administration in August 1946.

During Fiscal Years 1947 and 1948, $4,965,000 was appropriated to enable VCS to commence operations. Since that time, no additional appropriations have been made. Consequently, the wisdom of including VA Canteen Service in OMB Circular A-76 studies is questionable from the start.

Available statistics show that from its inception through the end of FY 1983, the cumulative net income of the VA Canteen Service was almost $52 million. Excess funds of over $12 million have been transferred to the U.S. Treasury Miscellaneous Receipts Account, which incidentally includes the original appropriation of $4,965,000. The Service currently generates revenue sufficient to pay for all costs of operation, including equipment replacement, renovations, and expansion of operations. Overall sales have been increasing steadily. In fact, statistics show FY 1984 produced the highest sales figures ever, in the amount of just over $182 million. Retail sales were approximately 52% of total volume, and food sales were 41% of total volume. Net profit for FY 1984 was reported to be $3,600,000.

The American Legion is well aware of problems associated with contracting out of services. In fact, the General Accounting Office (GAO) has reported in the past (in reference to military contractor-operated stores) that contractor-operated base stores are plagued by pricing irregularities, repeated allegations of fraud, and contract abuses. There are certainly other problems

such as possible strikes, lack of VA control, increased prices, and a decrease in service to our veterans. Most of the smaller and remote canteens will not attract private contractors without government subsidy, because of limited or non-existent profit potential.

The VA Canteen Service also contributes in other patient care related areas. There is the issue of gratuitous feedings for eligible employees, veterans, volunteers and other persons at VA expense. This service has proved cost effective and more efficient, and has simplified bookkeeping. Many canteens still provide scheduled visits of ward cart service to the bedside of non-ambulatory patients. Canteens assist in the socialization process, allowing patients to entertain and be entertained by their visitors in the canteen. Many canteen Chiefs still encourage supervised visits to the canteen by psychiatric patients, otherwise confined to the ward.

The VA Canteen Service provides uniform services in all VA hospitals, regardless of their geographic location or their size. Historically, profits of the larger canteens have offset losses of the smaller canteens. Hours of operation are not based solely on sound business judgment, as would be the case with contractors who only have individual profits in mind.

In the past several months, The American Legion has recorded several concerns and complaints regarding reorganization attempts of the VA Canteen Service. We understand that behind the scene plans are being formulated to close three Canteen Field Offices, located in Somerville, NJ, Atlanta, GA, and Denver, CO. Because

of the commendable 39 year history of the VA Canteen Service, we feel any reorganization attempts in the future should first be reviewed by all advocates, including both Committees on Veterans Affairs of the Congress. We feel future involvement of consumer advocates of veterans, such as veterans organizations, is mandatory before any reorganization plans are implemented.

In conclusion, Mr. Chairman, The American Legion's mandate against the intent of OMB Circular A-76 is set forth in Resolution No. 114 (Ohio), which was adopted by Delegates to our 1985 National Convention. The American Legion is adamantly opposed to the inclusion of the VA Canteen Food Service in A-76 studies, and view this action to be unwise and economically unjustified.

The VA Canteen Service is a self-sustaining operation, receiving no tax support or appropriations. It is a profit-making service which obtains its revenues from non-Federal sources. The service has proven its stability and reliability throughout the past 39 years. Employees of the service, oftentimes the lowest paid on any VAMC campus, consistently receive extremely high marks from patient satisfaction surveys. Complaints received by our Field Representatives and other Legionnaires across the country regarding the operation of the service, have been minimal over recent years.

Given all of these positive factors, and having seen no evidence that the contracting out of the canteen operation would serve any useful purpose, The American Legion must voice its opposition to such a proposal.

Mr. Chairman, this concludes our Statement. We will be more than happy to answer any questions you or other members of the Subcommittee may have on this matter.

Attachment:
Resolution No. 114 (Ohio)

Mr. MONTGOMERY. All right. Go ahead, Mr. Cook.

STATEMENT OF A PANEL CONSISTING OF CLYDE C. COOK, FORMER DIRECTOR, OFFICE OF PROCUREMENT AND SUPPLY, AND FORMER DIRECTOR, VETERANS' CANTEEN SERVICE; WALTER A. NELSON, FORMER DIRECTOR, VETERANS' CANTEEN SERVICE; AND VERGIL A. YOUNG, FORMER EMPLOYEE, VETERANS' CANTEEN SERVICE, CENTRAL OFFICE

STATEMENT OF CLYDE C. COOK

Mr. COOK. Mr. Chairman, I will get right to the point and summarize my statement.

I think perhaps the greatest problem right now facing the Canteen Service is OMB Circular A-76. Veterans' Canteen Service employees are concerned that insufficient attention has been given to the rationale for changing the present structure.

It has been said here this morning and recognized that VCS maintains a national policy on pricing. It is my feeling, and I think it is probably logical, that if we were to contract out, the contractors would be interested only in those canteens that show a profit and would not probably be so willing to share that profit with the VA.

One of the things that concerns me, I guess, I could summarize by saying my own view is that the food service question should be resolved on an "all or none" basis. I think it is perhaps also appropriate to reconsider contracting out if it should be applied to VCS. As has been said, VCS service is a nonappropriated fund activity, like other activities in the Defense Department, for example.

Several years ago, as a follow-on to the report of the Commission on Government Procurement, a study was conducted which included people from the VA and chaired by OMB. Their decision was that the Government procurement regulations and policies did not apply to the Canteen Service unless explicitly stated as doing so, which in my view translates to the fact that we are contracting out really on the basis of a management decision and calling it A-76.

There are other considerations that might well be taken at this time. One of them is the fact that some years ago the question arose, because of a legislative change, that the Randolph-Shepherd Act, which deals with the so-called blind stands and the preference of locations in government buildings to the blind, it was decided at that time that this did not apply to VCS. I'm not so sure that that same posture still holds today if, in fact, the food service were contracted out and we would be dealing with private employees rather than VCS employees.

Mr. Chairman, I can offer no real information concerning the reorganization of VCS. It has not been discussed with me. Prior to my recent retirement, at least, I had an official interest because the Supply Service of the VA provided raw food to the Canteen Service for its processing.

Again, as it relates to a full-time Director of VCS, I was pleased to hear this morning that action is being taken because I think many of the problems at least would be mitigated if, in fact, there were a full-time Director. It is no secret that a part-time Director

doesn't carry the authority and influence as one who is permanently assigned to the job.

These are a very brief summary of my remarks. Mr. Nelson will comment from here on.

[Prepared statement of Clyde C. Cook appears on p. 138.]

Mr. GRAY [presiding]. Mr. Nelson, you're recognized.

STATEMENT OF WALTER A. NELSON

Mr. NELSON. Thank you, Mr. Chairman, members of the committee.

I began my career with the Canteen Service in March of 1946, when General Bradley proposed changing the concessionaire operation to a government controlled activity similar to Army PXs and Navy ships' stores. I spent the last 4 years of my career as the Director of the Service. When I retired in 1982, I left with a feeling of confidence and good spirits about the future of the Veterans' Canteen Service. That good feeling has now dwindled to a faint hope.

Your office provided me with a transcript of the hearing held before the committee on September 18. I thought that it was a very thorough and comprehensive review.

It is my strong belief that the legislative history clearly shows that the Veterans' Canteen Service was meant to be an independent unit within the Veterans' Administration. The law states that the VCS has exclusive control over its activities, including sales, procurement and supply, finance, disbursement, and personnel management. In spite of many obstacles in running a business within the government, the VCS has operated effectively, efficiently and economically over the past 40 years.

In the early days of the VCS, the VA hired Booz, Allen and Hamilton, who are management consultants, to make a comprehensive study of the VA programs and organizations. The firm's report stated that the VCS organization met the provisions of the law for control of financial and merchandising aspects and for establishment of operating responsibility and accountability.

Booz, Allen stated that the VCS should be preserved with no interference from above, not only because the law specifically forbids it, but because the requisite knowledge to operate a commercial business competently was not provided for in the VA outside of the Veterans' Canteen Service. These principles are still valid and relevant and should be preserved.

In May 1982, the VA's Chief Medical Director testified before this committee that the VCS offered high-quality, uniform service and pricing throughout the VA medical system. The General Accounting Office, in its periodic audits of the VCS, has repeatedly found no exceptions. Other reviews, from both inside and outside the agency, reached the same basic conclusion: "the VCS successfully accomplishes its mission in an efficient, effective and economical manner."

Moreover, the CMD testified that the VA, and the medical care program in particular, had benefited in many ways from the VCS's existence. The CMD also reported that the VCS had taken a number of important reorganizational steps to reduce the cost and improve the service. So I think that many of us are asking why,

what is this all about? What is all this talk about contracting out, reorganization and A-76.

You have heard testimony that if the Service is turned over to a contractor, whose goal is to make a profit, the VA will lose.

Congress clearly intended that the VCS operate the canteens. The VA repeatedly acknowledged that fact by recognizing that 38 U.S.C., chapter 75, excluded the VCS from the requirements of A-76. And so it remained until recently, when the VA decided it would be a good idea to turn the canteen cafeterias over to contractors or concessionaires. If contracting out does occur, the VA will find itself repeating the mistakes of the past that led General Bradley to discard concessionaires in the first place.

I'm tempted to digress here for a minute. When we took over the West Roxbury Hospital from the concessionaire in 1946, the Director came down that day and said, "This is great. We're going to close it and we're going to clean it up. That's something I couldn't do under a contractor."

Let me talk about personnel ceiling for a minute, since one of the objectives of the agency is to save ceiling. Why is the Veterans' Canteen Service even subject to personnel ceilings? Public Law 81-67 exempted the Veterans' Canteen Service, but the exemption was left out of title 38 when it was codified. The law itself has never been changed by Congress. Placing VCS employees under ceiling does not save any tax dollars. It is simply a "make-work" program in the FTEE game.

Let's talk about investment of funds. The VCS is not permitted to invest its idle cash for income. Other similar activities, such as AAFES, NARESCO General Post Fund, the Post Office, to name a few, are allowed to do this. What I am trying to point out by these two illustrations is that the VCS, which by law has exclusive control over its activities, has important areas beyond its control.

Finally, the Veterans' Canteen Service needs a leader, a director, a manager, with expertise in this unique activity and in merchandising, who can plan, organize, staff, direct and control this complex and important service.

I never thought I would make this suggestion, but perhaps a management study by the General Accounting Office is in order, so we can get an objective view of the VA's VCS predicament.

Thank you.

[Prepared statement of Walter A. Nelson appears on p. 142.]

Mr. GRAY. Thank you, Mr. Nelson, for a fine statement.

We will now hear from Mr. Young, and then we will go to questions of the entire panel. Mr. Young, you may proceed in any fashion you desire.

STATEMENT OF VERGIL A. YOUNG

Mr. YOUNG. Mr. Chairman and members of the subcommittee, I appreciate the opportunity to appear before this subcommittee on behalf of the Veterans' Canteen Service.

I served in the VCS Central Office in various high-level positions from 1947 to 1976, a period of 29 years, and have maintained a close relationship since that time. On August 21, 1984, I was asked by the Director of the Canteen Service to study the historical back-

STATEMENT OF A. KOLBET SCHRICHTE, EXECUTIVE VICE PRESIDENT, THE AMERICAN LOGISTICS ASSOCIATION

Mr. SCHRICHTE. Thank you very much, Mr. Chairman. I appreciate the opportunity to return.

I have submitted for the record in writing——

Mr. MONTGOMERY. Without objection, your full statement will be put in the record, and if you can summarize it, it would be helpful.

Mr. SCHRICHTE. Thank you. My summary is quite terse. That is, we functionally believe that the contracting out of one component of the entire Canteen Service at a time, such as the food service component of the overall Canteen Service, would destroy a part of its capacity to deliver to the patrons and those who are eligible to use the facilities the best possible pricing and the best possible service at the lowest possible cost.

My organization's manufacturers are able to sell at relatively low prices, or at the lowest prices, to the Canteen Service because of its unique authority exemptions from Robinson-Patman and a variety of other existing Federal acts. By doing that, a product may be delivered to the patron at the lowest possible price. And in the case of the Veterans' Canteen Service, it nevertheless has enabled the Service to become self-supportive, while delivering to the patron a very unique opportunity to maintain a quality of life.

If we commence to dissect the overall canteen organization, I believe we will lose that exempted position and thereby probably escalate pricing, et cetera, to the final patron.

Last year I think Mr. Sundquist asked of the veterans' organization that they really consider reorganization. Since I represent private enterprise, most of America's largest consumer product manufacturers, we would have to concur wholeheartedly with the perpetual study of organizational efficiencies in anything that has a tax-supported base, and certainly reorganization and its components would be attractive to the members of my organization.

At the same time, if that is preceded by the dissection of a machine that is currently effective, efficient, and, for lack of a better word, producing a profit, it seems to me that we have got the cart before the horse. For that reason, I would advocate, and my members would advocate, that contracting out, in particular the food service component of the Canteen Service, be deferred, perhaps indefinitely, at least until a reorganization and a reappraisal of reorganization is completed.

Thank you.

[Prepared statement of A. Kolbet Schrichte appears on p. 131.]

Mr. MONTGOMERY. Thank you for that very good summary.

Don Sundquist, your name was mentioned. The Chair recognizes you.

Mr. SUNDQUIST. Thank you, Mr. Chairman.

I appreciate your testimony. I think the points that you make in here are extraordinarily good. I was just consulting with counsel here, talking about how we messed up somehow with the telephone system in this country. Everything doesn't always have to show a profit. I think we made a mistake in what we have done. When you go in a grocery store, you buy a loaf of bread, or flour, or sugar, or basic products, they don't carry the same profit margin as pickles and some other things.

In this whole overall organization, there are some small units that the private sector wouldn't want that we would still have to have. I think the concept of bigger units subsidizing smaller units, I see nothing wrong with that.

I agree with what you're saying. I think we have to look at it from a management standpoint, to see that we're efficient and reorganize. Coming from the private sector, I know there are a lot of people out there that say the private sector can do everything better. I don't think that's true. I think there are some areas where it is a partnership with the private sector, and I appreciate your testimony.

Mr. SCHRICHTE. Thank you very much.

Mr. MONTGOMERY. Would the gentleman yield?

Mr. SUNDQUIST. I would be delighted to yield.

STATEMENT OF NEIL C. WHITTLE, DIRECTOR OF MARKETING
BEFORE THE HOUSE VETERANS AFFAIRS SUBCOMMITTEE
ON OVERSIGHT & INVESTIGATIONS

June 23, 1988

Mr. Chairman and members of the subcommittee:

I appreciate the honor to speak before the Subcommittee this morning to give my personal views regarding the Veterans Canteen Service. I am the Director of Marketing for the Veterans Canteen Service. Having approximately 26 years of government service, it has and continues to be a pleasure to serve the veterans of this nation.

One of the concerns for this hearing is to review the fiscal responsibilities of the VCS. The Price Waterhouse Study on the fiscal impact of a ban on the sale of tobacco products in VA canteens is pretty straightforward. If the VA bans the sale of cigarettes in VA canteens, the Veterans Canteen Service will lose approximately $7 million dollars or 22.8 percent of its operating funds. This figure doesn't even include the loss of income from sales associated with tobacco purchases. Just as Congress asked it to do 42 years ago, the Veterans Canteen Service has successfully served America's hospitalized veterans. Is it the purpose of the VA to change the intent of the law?

Yet, in analyzing whether the service is operating on sound business principles we somehow have misdirected our focus toward the sale of tobacco products. In doing so, we also have lost sight of the very purpose of the Veterans Canteen Service - service to the veterans - and especially the individual rights of our veterans who are short- and long-term patients in VA facilities.

Personally, I don't smoke, nor do I profess to be a medical expert on the topic. However, I do feel strongly about individual rights -- the ones our veterans fought to defend -- and the ones that are now being taken away from them by those who profess to be acting on their behalf.

Whether or not these veterans choose to smoke is their decision, not ours nor anyone elses. It's their individual prerogative and right. Nobody should have the right to encroach on their personal freedoms and choices, whether to buy cigarettes, read certain magazines or take up certain hobbies.

Our job at the VCS is to enhance the lives of veterans who are hospitalized or domiciled in VA medical centers. It is our mission to make available everyday consumer items which might not otherwise be obtainable, including tobacco products. In fact, many of the patients we serve depend on the products they can conveniently purchase in our stores. By removing cigarettes or any other items from the canteens we are shirking our responsibility.

I can understand to a certain degree the reasoning behind the requests to eliminate the sale of tobacco products in VA medical centers. The VA is in the healthcare business, and believes that the sale of tobacco products may be perceived as a endorsement for the practice of smoking. I honestly believe --- aren't we overlooking one important thing here and that is the veteran's right to his or her own personal choices. A balanced approach for promoting health and individual rights must be considered.

As you know, many veterans in VA medical centers have difficulty moving about due to war injuries; approximately half of our 58,000 daily in-patients are long-term patients. Many are scarred mentally and cannot function in society. Many are aged and frail and depend on VA hospitals for round-the-clock medical care. The VA has done a great deal to demonstrate to these veterans the nation's gratitude for their service. However, adding to a veteran's already encumbered existence, in my opinion, is unseemly and improper.

Exchange & Commissary News, (November, 1987 issue) a trade publication that follows VA canteen affairs, conducted interviews at the VA medical center in Northport, New York, about the proposed ban on the sale of tobacco products in VA canteens. I quote:

> *"Bill Jackson, a Vietnam veteran who served in the U.S. Army was noticeably disturbed. I have enough shrapnel in my body, he said, to make the airport metal detector go off. Who do they think they are, trying to make it difficult for me to get cigarettes? When they stop smoking on Capitol Hill, then tell them to come back with their proposals."*
>
> *"One employee observed that, There are patients that have been at this hospital for over 35 years, and for some, cigarettes are their best friends. ... If the patients can't smoke, they'll have nervous fits."*
>
> *"Larry Cappiello, a World War II veteran was outraged. They can't do that to me, he said. Then, after pausing a moment and in a disheartened voice he added, Why would they do that to me?" End of quote.*

One final important question. Who benefits from a decision banning the sale of tobacco products in VA canteens? Certainly not hospitalized veterans. I feel that those that choose to use tobacco products will more likely be encouraged to do so through devious and illegal means. I don't believe this is the intent of Congress. I do believe it is the intent of Congress to help the hospitalized veterans to be served by a viable and well-operated Veterans Canteen Service.

Mr. Chairman and members of the Subcommittee, thank you.

STATEMENT OF RALPH SHALDA, OPERATION SPECIALIST
BEFORE THE HOUSE VETERANS AFFAIRS SUBCOMMITTEE
ON OVERSIGHT & INVESTIGATIONS

June 23, 1988

Mr. Chairman and members of the subcommittee:

I sincerely appreciate this opportunity to speak before the subcommittee to present my personal views on the Veterans Canteen Service. During my fifteen years with the VCS I have advanced from management positions at several canteens to my appointment last year as a Field Operations Specialist in VCS Central Office. In this position I presently oversee the operation of 21 canteens in Region 4 - the Great Lakes Region. Today I will address my comments to the independence of the VCS.

To date, I have visited most canteens in Region 4 and several canteens in other regions. At the majority of my visits to VA Medical Centers I have enjoyed a very cordial working relationship with medical center management with a mutual concern and commitment to serving the needs of the veteran. On some occasions though I have been faced with medical center management which has no interest in the viability of the Veterans Canteen Service or no interest in providing support services to the VCS that are mandated by VA regulations.

Several incidents of medical center management circumventing the authority of the VCS during the past year come to mind. During my oversight visit to Milwaukee, medical center management threatened contracting out canteen food service when I explained that the VCS could not comply with the demand that we discontinue tobacco sales immediately. After I left Milwaukee, medical center management pressured the canteen chief into ceasing cigarettes sales by telling him the VA police would be sent to remove tobacco products and that the chief would no longer be employed as Canteen Chief at that station if he did not acquiesce.

At Albany, NY, medical center management permits groups other than the VCS to engage in commercial activities, contrary to VA regulations. When the VCS requested discontinuation of these activities, the threat was made to threatened contract out all canteen functions if the issue was pursued.

At North Chicago, without any prior communication with the VCS, discussions were held between the VA and a major fast food chain regarding establishment of a franchise at the VA. Although the VCS has finally been involved in these negotiations, this type of action illustrates the approach that some individuals take that interferes with the proper line of communication and the canteen's legislated exclusive control over it's activities.

These situations, and others like it where the canteen chief has been placed between two bosses, exemplifies why the VCS needs to be operated as an independent arm of the VA. The present structure of the canteen chief working for both medical center management and VCS management is analogous to the situation Army Air Force Exchange Service (AAFES) found itself in several years ago with its exchange managers and the base commanders. AAFES resolved their difficulties by establishing a clear chain of command from the exchange manager to the AAFES commander which exists today. If the base commander desires a revision in operation of the exchange he makes his request of AAFES headquarters, not with the exchange manager, and then AAFES headquarters works with the base commander to ensure that local needs are met within AAFES regulations, thus following an established chain of command. The exchange manager is considered a staff member of the base commander for attendance at meetings so that they stay in touch with local goals and objectives. However, the exchange manager works for the AAFES commander, not the base commander.

A line of authority similar to that employed for AAFES, if utilized by the VA, would bring us into compliance with Title 38, U.S. Code, Section 4208, which says, in part, "The Service shall function as an independent unit within the VA with exclusive control over all its activities."

I stress that the vast majority of the Medical Center Directors I have had contact with over the years have been very considerate of the VCS just as I feel the VCS has worked to understand and meet the needs of medical center management. Changes though are needed to remove the VCS from the present cumbersome bureaucratic chain of command. In my opinion, this can be best accomplished by reverting back to having one person responsible for the operation of the VCS with a clearly delineated line of authority from the Administrator of Veterans Affairs to the Director, VCS to the Chief, Canteen Service. In reading Title 38, U.S. Code, Sections 4201 thru 4208, I firmly believe that the original intent of Congress was to have the Veterans Canteen Service

report directly to the Office of the Administrator of Veterans Affairs, not through controls within the Department of Medicine and Surgery.

Mr. Chairman and members of the Subcommittee, thank you.

STATEMENT OF PAUL F. KOVAL, CANTEEN CHIEF
BEFORE THE HOUSE VETERANS AFFAIRS SUBCOMMITTEE
ON OVERSIGHT & INVESTIGATIONS

June 23, 1988

Mr. Chairman and members of the subcommittee:

Good Morning, I wish to thank you for the opportunity to appear before you this morning. I am the Canteen Chief at the VA Medical Center in Washington, D.C. I have been employed by the VCS for over eight years serving at five different locations in four states. Although employed by the VCS, I feel my true employer is the veteran I serve and, as such, I feel my job is to deliver the services requested of me by the veteran population as long as it is within my capability - pure and simple.

I would first like to offer my opinion on cigarette sales by the VCS. I have chosen to be a non-smoker. That is my right. Many veterans, for a wide variety of reasons, have chosen to smoke. THAT IS THEIR RIGHT. Smoking is a matter of personal choice. I feel strongly that I do not have the right to impose my opinion or choices on anyone else. Yet if cigarette sales are banned in my canteen, in effect, that is what I would be forced to do. I feel as if I am now being increasingly placed in a position of restricting someone elses right to free choice by price increases in tobacco products in my store. I sell a pack of cigarettes in my store for $1.25, a 40% markup. Approximately 10 years ago, I would sell that same pack of cigarettes for no more than a 21% markup. I feel as if I am gouging the person I am in business to serve. What makes this even worse is I can't see anyone benefiting by it. The veteran who has chosen to smoke doesn't benefit - he's paying more than what I believe is a fair and reasonable price. The VCS doesn't benefit - each time cigarette prices are increased, we lose sales. The taxpayer doesn't benefit - there is no monetary gain to them. SO WHERE IS THE BENEFIT?? Are we attempting to become the Orwellian BIG BROTHER to those who have served our country so proudly and well??

I do not espouse the "if I charge more you will smoke less" idea. If I do not sell cigarettes, the level of smoking by hospitalized veterans will not decrease, the only thing that will change is where the cigarettes are purchased and for how much. This idea, I

feel, does not have my customer - the veterans - interest at heart. Everyone is so caught up in getting on the no smoking bandwagon that they have forgotten who it was that paid for the wagon to built. One final point here, cigarettes are the only item which the VCS sells, not uniformly priced, that is to say any other item sold in my store can be purchased in any other canteen for the exact same price except for cigarettes, this seems to go against General Bradley's intention for creating the service.

My canteen is an A-76 test site. Literally weeks of man hours have been used to complete the study. A study which to my understanding has two purposes: #1 to reduce FTEE and #2 to save the government money. The VCS is a non-appropriated fund service, — we are self-sustaining. We cost the taxpayer nothing. In fact, I actually pay 1.5% of my gross sales to the medical center as rent for space occupied. What will the VA save if the VCS is contracted out?? Nothing!! In compiling the study, I had the overwhelming feeling that I was throwing buckets of water into a lake which was already overflowing its banks. This water will turn into a raging flood as of August 16 due to recent DM&S, A-76 directives which can decimate the VCS. Any business can come and short bid a contract knowing full well once they have taken over the service it would be next to impossible to remove them and they could then ask for and receive larger payments quite effortlessly. The canteen service is able to provide uniform services because each individual canteen is a part of a larger entity. While many sites individually lose money, larger sites, (such as my own), supplement this loss and create an overall organization which sustains itself and provides equal service to all veterans. Private contractors will have as their main concern PROFITS, that is why they are called a business.

We of the VCS are first concerned with our customers interests and needs. That is why we are called a SERVICE. I feel General Bradley's original intention in setting up the canteen service as a government agency was to create a uniformed product throughout the system, I think A-76 would totally defeat this dictum.

The VCS was organized in 1946 TO PAY FOR ITSELF. In order for us to serve all veterans equally and maintain our self-sufficiency, we must react to our customer base — the veteran. This concept is simple and basic - perhaps that is why it has worked so well for so long. The veteran and the VCS have a mutually satisfying relationship - if we take care of the veteran, we are in turn taking care of ourselves. I think this relationship

has been interfered with over the years and is increasingly separating the VCS from its origins. We are an organization set up to serve. Not a bureaucracy created to dictate. Oversight and support functions have been curtailed under the new organizational structure due to the large number of canteens a Field Operation Specialist must assist. In 1981, there were 20 authorized operations specialists today there are only 8. This translates to an average of one specialist for every 22 canteens, — prior to the reorganization there was one supervisor for every 9 canteens. Although I am sure my supervisor is doing his utmost to assist each of his canteens equally, I realize this has become an impossible task for him. I am of slavic heritage and we have a saying for situations such as these, PLEASE PARDON MY BLUNTNESS it goes like this: YOU CAN'T DANCE AT TWO WEDDINGS WITH ONLY ONE ASS. At the same time, the VCS audit staff has been removed from direct line supervision of the VCS and has had its staff increased from 5 to 10 positions while still entirely funded by the VCS. Since its inception, the audit staff has performed most admirably under VCS control, so why has it been shifted to DM&S control?? Please allow us to operate without being restricted by too much bureaucratic largess.

I would like to close my testimony by affirming my confidence in the present management of the VCS. Morale within our organization has taken a definite upturn within the past year since the installation of the present VCS management team took place. This was definitely not the case at the time of the subcommittees' last hearing on the VCS and I wish to thank you for this. I now feel as if there is leadership and direction above me at the VCS. They are not perfect nor am I, together we have made mistakes but an organization must take risks in order to grow and progress and we are doing that now. Once again, we have become entrepreneurs.

Mr. Chairman, members of the subcommittee, Thank you!

STATEMENT OF PAUL H. FREIERT, ASSISTANT DIRECTOR, FINANCE CENTER

BEFORE THE HOUSE VETERANS AFFAIRS SUBCOMMITTEE

ON OVERSIGHT & INVESTIGATIONS

June 23, 1988

Mr. Chairman and members of the subcommittee:

I appreciate the Committee's invitation to again provide my personal views regarding the matters before the Committee this morning. I am the Assistant Director of the Veterans Canteen Service, Finance Center in St. Louis, I count it a real privilege to have served America's hospitalized and domiciled veterans for thirty years in my career in the Canteen Service. On behalf of all Canteen Service employees, I extend thanks to this committee for its vital interests and support to the organization and a special note of thanks for the recently enacted legislation and its favorable impact upon the VCS.

As noted in Mr. Shalda's testimony, Title 38, U.S. Code, Section 4208, says in part "The Service shall function as an independent unit within the Veterans Administration with exclusive control over all its activities." This statement is reaffirmed in VA DM&S Manual M-1, Part 4 and in the VA's General Counsel Opinion dated October 8, 1957.

It is ironic that while this requirement is simply and clearly stated it is in fact not a reality. The Service is layered from above by having placed the Director, VCS and his staff several levels below the Department head. Operational factors essential to line authority control and effective directions of a system comprised of 172 facilities are negatively impacted. Within the Department, the VCS frequently finds itself without the clout to resolve issues arising between line managers such as Medical Center Directors or regional directors and the VCS. Issues are typically resolved as though the VCS were a staff office with only a recommending role rather than a line organization with full accountability. Thus, deference is typically paid to the medical center chain of command, and the VCS is rendered unable to meet its mandates.

In dealing with other departments and staff offices, the services and opinions received are often negatively impacted by the appearances created by placing the VCS several organizational levels below the Department head. For example, despite the stated goals of the recent reorganization, our ability to recruit, retain and pay employees

commensurate with their actual duties and responsibilities, has been hampered by the inescapable, unfavorable comparison of our positions to those of staff offices placed at a comparable level well down in the Department. The VCS Field Operations Division cannot effectively control and provide advice, counsel and support to the 172 VCS operations with an operations specialist staff of one per region and limited 1 or 2 day operational visits. Our field facility managers need, want and deserve more than this restraint will permit. No similar enterprise in the private sector would be so restrictive. Our own VCS internal audit staff reports to a level above the VCS Director. This arrangement does not advance or promote uniform oversight and control principles.

Mr. Whittle's remarks this morning reminded me of a few weeks ago when I visited a VA medical center. My tasks for that day required me to arrive at 6:00 in the morning. As I approached the front entrance I observed an elderly wheelchair patient in pajamas trying desperately to negotiate himself through the doors and frantically make his way down the sidewalk. The temperature was 50 degrees, it was raining steadily - cool and damp. Suddenly he stopped, turned his chair and proceeded to light and apparently enjoy a cigarette. Upon inquiring he told me he had smoked all his adult life but was not permitted to smoke in the hospital. I do not smoke and I support fully the efforts to reduce smoking and improve health. However, my heart went out to this disabled veteran who in my observation had little of life's pleasures left to enjoy.

As we heard earlier from Mr. Reider, prior to September 1984, the VA had exempted VCS food services from the requirements of OMB Circular A-76. I have a most difficult time trying to rationalize the Department's decision to include VCS in the inventory of

activities to be studied with no potential saving to the agency or taxpayer when in fact the Department has not included some of the other costly and labor intensive appropriated fund services. VCS should not be included in contracting out A-76 initiatives.

Mr. Chairman, the VCS has successfully survived the tribulations of previous years in the 1980's. Why the negative happenings were impacted upon the VCS, we will probably never know nor do we need to know. The hearing conducted September 18, 1985 by this committee was labeled "as a watermark" by the Honorable Sonny Montgomery and was the springboard to the future and to better things for the Canteen Service. Our Director, Mr. Mantica has provided leadership and enthusiasm, improved morale and introduced innovative merchandising programs. We stand ready and able to continue and improve our delivery of high quality merchandise and services to America's finest - our veterans, their families and to those who provide the care, support and recognition earned in service to this great nation.

This concludes our testimony. We thank you for your invitation and the opportunity to provide our personal views on these issues. We welcome the opportunity to respond to your questions.

STATEMENT OF

DANIEL H. WINSHIP, M.D.

ASSOCIATE DEPUTY CHIEF MEDICAL DIRECTOR

DEPARTMENT OF MEDICINE AND SURGERY

VETERANS ADMINISTRATION

BEFORE THE SUBCOMMITTEE ON OVERSIGHT

AND INVESTIGATIONS

COMMITTEE ON VETERANS' AFFAIRS

HOUSE OF REPRESENTATIVES

JUNE 23, 1988

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the Veterans Canteen Service.

Appointment of a Director and Reorganization of the Canteen Service

Since the last hearing on the Canteen Service in September 1986, we have taken action on two issues which were of particular concern to the Subcommittee -- The Director's position and reorganization.

In January, 1987, Mr. Robert J. Mantica assumed the position of Director, VCS, thus ending a long period during which the Service was headed by an acting director. Mr. Mantica has served VCS for over thirty years and at the time of his appointment was Director of the VCS's Atlanta Field Office. Mr. Mantica has brought much-needed stability to the Service, raising its morale, both in the field and Central Office, and setting a new course which I believe has resulted in a Service that is more productive and responsive to the needs of the canteen employees and those they serve.

The reorganization of the Service which the Administrator approved in November, 1986, is complete. The three VCS Field Offices -- in Atlanta, Denver and Somerville, NJ -- were closed in July, 1987, and their functions transferred to VCS Central Office. Some of the Field Office staff opted to transfer to Central Office, while some retired and others found employment with the VA or other federal agencies locally.

The reorganization has, I feel, improved the overall efficiency and effectiveness of the Service and thus its ability to carry out the mission for which it was established -- to make available to veteran patients at reasonable prices articles of merchandise and services essential to their comfort and well-being.

VA Policy and the Sale of Tobacco Products in Canteens

VA and the VCS have struggled for some time with the array of issues inherent in the sale of tobacco products in VA Canteens.

We recognize, of course, that policymaking on this subject must take place within the framework of the VCS statute. Among the policies reflected in that statute and entrusted to the Administrator, is the requirement to select for sale items essential to patient comfort and well-being.

As you know, Mr. Chairman, nonsmoking is now the norm within the VA, consistent with the government-wide policy reflected in GSA regulations. The Administrator has also expressed as a goal the maintenance of a healthy smoke-free environment for employees and beneficiaries. It has been our view that, as a major health care provider (and one charged with a preventive health care mission), VA medical centers have a responsibility to take a leading role in preventing disease as well as its traditional role of treating disease. In that regard, the message that smoking is a health hazard may be blunted by the practice of selling tobacco products, which some view as an endorsement of the practice.

Just as our Canteens have not made available for sale certain products which are considered medically contra-indicated, there has been, as you know, much debate surrounding the appropriateness of continued sale of tobacco products at our canteens. Our analysis of this subject recognized, particularly in light of VCS statutory requirements, that policymaking necessarily had to take into account other important considerations such as the financial impact on the VCS and the problems inherent in treating addiction to tobacco. Profitability, of course, is not an end in itself but is necessitated by the requirements of VCS statute and the Anti-deficiency Act.

Thus, rather than a rigid, systemwide proscription of tobacco product sales, the Chief Medical Director formulated, and the Administrator approved, a policy which permits individual VA medical center directors to initiate proposals to the CMD to authorize discontinuation of the sale of tobacco products at that center's canteen. That general policy, which looks to local initiative, was developed in the context of a broad, ongoing review of smoking policies, and a June 1986 request from the Administrator's office that the CMD develop a comprehensive Agency policy on non-smoking.

VCS and the Director of Administration have formulated guidelines for evaluating medical center requests for permission to discontinue sales of tobacco products in canteens. Those guidelines provide a means of gauging the financial impact of the proposed change and limiting approval accordingly. These requests from VAMC directors are reviewed by the Director, VCS, who recommends action in accordance with the evaluative guidelines discussed above. Those recommendations are reviewed by the Director of Administration and submitted for final disposition to the Associate Deputy Chief Medical Director, who is authorized to act for the Chief Medical Director, the Agency official delegated authority to exercise the functions of the Administrator with respect to the maintenance and operations of the canteen service.

We have no predetermined policy regarding a specific number of canteens at which tobacco products would cease to be sold by future target dates.

At present, 27 canteens do not sell tobacco products, and requests from 27 more facilities for permission to discontinue sales are pending.

The VA commissioned a study to assess the financial effects of eliminating the sale of tobacco products in canteens. Essentially, the study found that the VCS would lose a substantial amount of direct and indirect (tie-in) revenue from the cessation of tobacco product sales, such that the loss could impede the mission of the Service if alternative sources of income were not found. The report makes a number of recommendations for recouping lost income with which we are in agreement.

The importance of space was also highlighted in the report. Unfortunately, given the limited space in some of our medical centers, this issue is much less tractable. However, I would like to note that in recently constructed medical centers (Minneapolis, Portland) the superbly furnished and located canteens are testimony to the kind of cooperation that is being fostered throughout the system, between the Canteen Service, the Department and other VA offices.

The report also addresses the question of canteen hours of operation. This is a matter essentially of local determination, since every medical center's needs are unique. However, as a general principle, we must make sure that canteens are open only during those hours when they can operate profitably and we will make a concerted effort with Canteen Service to ensure that this is accomplished.

An important conclusion of the report is that the VCS must develop a policy that effectively allows the Canteen Service to end its dependence on tobacco sales. We agree with the conclusion and its corollary, namely, that we must develop a long-range strategy for phasing out the sale of tobacco products that addresses the needs of hospitalized veterans in our medical centers as well as the financial viability of the service.

Financial Condition of the VCS

In fulfilling its mission, the Canteen Service must achieve a balance between meeting the needs of those it serves and remaining a profitable operation. Indeed, OMB Circular A-34 (the Anti-Deficiency Act) requires that the Canteen Service operate profitably. In addition to covering its operating expenses, the Service must generate additional income to cover the replacement of old equipment, the purchase of new equipment and to remodel canteens. Over the next several years, for example, a portion of this additional income will be used for automating canteen operations through a new Integrated Management Information System (IMIS). This new system will improve the management functions and controls of the Service.

The Service needs to generate net income of about $4 million each year. We anticipate that in the current fiscal year we will achieve net income of about $1.5 million.

In FY 1989, however, the picture may be much brighter. An important reason is the recently enacted legislation, the intent of which is to enable VCS to invest its funds. I would like to say here, Mr. Chairman, we are most grateful for this reform and we are attempting to move as expeditiously as we can to take advantage of the opportunity it presents. In addition to the income that we anticipate the investment of funds will provide, we expect sizable increases in net income from food sales and from sales through vending machines. Thus, our expectation is that we will generate about $4 million in net income in FY 1989.

Mr. Chairman, in conclusion I would like to state that I believe the formidable challenges facing the Canteen Service can and will be met through constant innovation and cooperative efforts between the Department and the VCS.

VCS and the Randolph-Sheppard Act

Your focus today -- particularly on VCS independence, financial condition, and viability -- suggests the importance of our highlighting another subject. VCS has been locked for some time in a dispute which, in our view, goes to the heart of the VCS mission, and what VA and VCS officials had long believed was the exclusivity of the VCS role in VA medical centers.

This dispute involves the first challenge to the VCS mission in the more than forty-year history of the Service. It is a challenge which asserts that VCS does not have the exclusive authority to provide vending service in VA medical facilities. Specifically, the State of Minnesota filed a complaint with the Department of Education under the Randolph-Sheppard Act (20 U.S.C. 107 et seq.) asserting that the State is entitled to a permit for a blind vending facility at VAMC St. Cloud.

For ten years, the State had enjoyed an exclusive contract with VCS to provide vending machine service at St. Cloud. The State was awarded the contract through a competitive bidding process. Under the contract, VCS specified the terms and conditions under which the State was to provide vending services. The State provided this service through a State-licensed blind vendor. Rather than competing for the contract again, the State in June 1986 applied for a permit to provide vending services under the Randolph-Sheppard Act. Under the proposed permit, the State set the terms under which it would provide service. And it made no provision for any commission or payment to the Canteen Service.

VCS has taken the position virtually since its inception that it is exempt from the requirements of the Randolph-Sheppard Act. Based on that view VCS denied that State's request for a permit and urged the State to submit a bid for renewal of the contract. That response provoked a dispute which remains unresolved. The parties' differences were recently aired before an adjudicative panel convened under the Randolph-Sheppard Act.

It has long been our view, that the VCS statute was intended to vest VCS, and VCS alone, with exclusive authority to provide retail services at VA medical facilities.

We believe an adjudicative finding in support of the State's position would have far-reaching adverse implications for VCS fiscal viability, and it would likely have the effect of recreating the very kinds of problems--particularly, lack of VA control, high prices, and uneven quality of service -- that led Congress to enact the VCS statute in 1946. Thus, in the event that this case has an adverse outcome, we will necessarily be considering the desirability of proposing a legislative remedy.

That concludes my testimony, Mr. Chairman, and I welcome the opportunity to respond to your questions.

GUIDELINES

REQUESTS TO DISCONTINUE THE SALE OF TOBACCO PRODUCTS WILL BE CONSIDERED IN ACCORDANCE WITH THE FOLLOWING GUIDELINES:

A. MEDICAL CENTER CANTEENS WILL BE GRANTED APPROVAL IF THEY CAN:

I. GENERATE A NET PROFIT WITHOUT TOBACCO, IN ACCORDANCE WITH THE FOLLOWING SCHEDULE:

TOTAL ANNUAL SALES VOLUME	PROJECTED MINIMUM NET PROFIT
1,500,000 AND ABOVE	3% OF SALES
1,000,000 - 1,500,000	2% OF SALES
500,000 - 1,000,000	1% OF SALES
BELOW - 500,000	REVIEWED ON INDIVIDUAL BASIS

II. PROVIDE ADEQUATE SPACE AND LOCATION FOR VCS OPERATIONS, IN ACCORDANCE WITH VA SPACE CRITERIA.

III. CONTROL HOURS AND DAYS OF OPERATION CONSISTENT WITH EFFICIENT AND EFFECTIVE BUSINESS PRACTICES.

IV. CERTIFY THAT THEY HAVE RECEIVED SUPPORT FROM THE FOLLOWING GROUPS:

a. THE CLINICAL EXECUTIVE BOARD
b. VSO's
c. THE UNION
d. APPROPRIATE POLITICAL CONSTITUENCIES

B. CANTEENS WHICH DO NOT MEET THE CRITERIA SHOWN IN TABLE A WILL BE GRANTED APPROVAL ONLY UPON SUBMISSION (AND ACCEPTANCE) OF A POSITIVE ACTION PLAN WHICH, THROUGH INCREASED SALES AND/OR REDUCED EXPENSES, WILL ENABLE CANTEEN TO MEET THE CRITERIA.

C. MEDICAL CENTERS WHICH DO NOT SUBMIT AN ACCEPTABLE PLAN TO GENERATE THE REQUIRED NET PROFIT WILL NOT BE APPROVED.

Veterans Administration
Department of Medicine and Surgery
Washington, DC 20420

MAY 10 1988

CIRCULAR 10-88-43

April 21, 1988

TO: Regional Directors; Medical District Directors; Directors, VA Medical Center Activities, Domiciliary, Outpatient Clinics, and Regional Offices with Outpatient Clinics

SUBJ: FY 1988 Preventive Medicine Program in the VA Under Public Law 98-160. (RCS 10-0666)

1. PURPOSE: This DM&S Circular is a complete revision of DM&S Circular 10-86-90, dated August 8, 1986. It will not be incorporated into a manual because it is anticipated that significant changes in the program will occur in ensuing years.

2. POLICY:

a. The VA Preventive Medicine Program was mandated by Public Law 98-160. The law requires that the Veterans Administration provide at least one preventive service to each veteran receiving care for a service-connected disability and to each veteran with a disability rating of at least 50% receiving VA care for any purpose. It also requires that a report on the program be included in the Administrator's Annual Report and authorizes the VA discretionary authority to provide preventive medicine services to any veteran under care.

b. The VA program was initiated in 1985 and included nine preventive interventions from which VAMCs (VA medical centers) could design a program to meet the needs of their patient populations within existing resources. The initial listing of interventions was never meant to be a complete listing but was seen as a dynamic and therefore changing list. The following listing of interventions reflects most current thoughts of the Preventive Medicine Field Advisory Committee. It is in alphabetical order and not in a recommended major-minor order.

(1) Alcohol and Drug Abuse Counseling
(2) Breast Cancer Screening
(3) Cervical Cancer Screening
(4) Cholesterol Screening
(5) Colorectal Cancer Screening
(6) Hypertension Screening/Treatment
(7) Influenza Immunization
(8) Nutrition/Weight Control Counseling
(9) Osteoporosis Counseling
(10) Physical Fitness/Exercise
(11) Smoking Cessation

3. ACTION:

a. The Preventive Medicine Coordinator will continue to be responsible for monitoring the implementation of a preventive medicine program at the facility and will be the station liaison for preventive medicine activities. Lines of communication will be established to assure that this individual is aware of the various activities going on under the Clinical Services and Sections in the medical center or outpatient clinic. The name and FTS number of the Coordinator at each VA medical center and free standing outpatient clinic should be submitted with each report.

THIS CIRCULAR EXPIRES OCTOBER 17, 1988

87-987 0 - 88 - 4

CIRCULAR 10-88-43
April 21, 1988

b. To assist in attaining the above goal RMECs (Regional Medical Education Centers) are urged to host a RMEC conference on preventive medicine in their regions. The preventive medicine field advisory group would be available to serve as faculty for these conferences. The Chief of Pulmonary and Infectious Diseases (111), FTS 373-2450 or 3097 would be willing to assist in coordinating these conferences.

c. A report on the preventive medicine program activities at each facility using the format in Attachment A is to be provided to the Chief of Pulmonary and Infectious Disease (10BA /111) by COB (Close of Business) October 14, 1988. (RCS 10-0666) is assigned to this report.

d. The FY 1985-86 program emphasis was influenza immunizations, with the FY 1987 program emphasis being colorectal cancer screening. The FY 1988 program emphasis will be smoking cessation. A description and general guidelines for establishing smoking cessation programs are included in Attachment B.

e. The report to be submitted October 15, 1988 will include the results of smoking cessation efforts as a special emphasis (Attachment C).

f. Inquiries regarding this circular may be directed to the Program Chief for Pulmonary and Infectious Diseases (111), FTS 373-2450 or 373-3097.

4. REFERENCES:

Clinical Affairs Letter IL 11-87-3, February 26, 1987, "Update on Preventive Health Program".

CMD Letter IL 10-85-2, January 14, 1985, "Preventive Health Care Services in the VA under Pubblic Law 98-160".

CMD Letter IL-10-87-17 August 6, 1987, "Smoking Cessation and DM&S Smoking Policy".

5. RESCISSIONS: DM&S Circular 10-86-90, August 8, 1986. This DM&S Circular will expire October 17, 1988.

6. FOLLOW-UP-RESPONSIBILITY: Assistant Chief Medical Director for Clinical Affairs (111).

ARTHUR J. LEWIS, M.D.
Deputy Chief Medical Director

Attachments

DISTRIBUTION: COA: (10) only
SS (111) FLD: RD, MDD, MA, DO, OC & OCRO-1 each plus 200-2
EX: Boxes 44-6 & 88-2, Boxes 104, 60, 54, 52-1 each & 63-5

ATTACHMENT A

CIRCULAR 10-88-43
April 21, 1988

Facility _____ (No.) _____ Number of Veterans Receiving Preventive Medicine Services

Preventive Medicine Coordinator _____ FTS.# _____ Location

Preventive Intervention	Veteran Status	Inpatients	Outpatients	Nursing Home or DOM
Alcohol and Drug Abuse Counseling	SC			
	NSC			
Breast Cancer Screening	SC			
	NSC			
Cervical Cancer Screening	SC			
	NSC			
Cholesterol Screening	SC			
	NSC			
Colorectal Cancer Screening	SC			
	NSC			
Hypertension Screening/ Treatment	SC			
	NSC			
Influenza Immunization	SC			
	NSC			
Nutrition/Weight Control Counseling	SC			
	NSC			
Osteoporosis Counseling	SC			
	NSC			
Physical Fitness/Exercise	SC			
	NSC			
Smoking Cessation	SC			
	NSC			
Other (Specify)	SC			
	NSC			

VA Form 10-20864a (NR)
Apr. 1988

TO BE REPRODUCED LOCALLY

ATTACHMENT B

CIRCULAR 10-88-43
April 21, 1988

Smoking Intervention Focus for FY 1988:

Background:

The inherent medical risks of smoking are well known and have been clearly communicated by a series of reports from the Surgeon General. Recently efforts have also outlined the risk of smoke in the workplace, the adverse impact of smoking in health care facilities, and in the household.

In keeping with these concerns, it is appropriate that preventive medicine efforts in the VA concentrate on smoking cessation for FY 88.

Goals, Objectives:

The preventive medicine intervention for FY 88, Smoking Control, differs considerably from previously recommended preventive medicine initiative. The difference is that a VA policy for controlling smoking in the medical center, and efforts to abate smoking in medical center employees, as well as smoking intervention in the target population of smoking veterans are all interdependent in accomplishing the goals of this intervention. The goals are:

(a) Creation of a smoke free environment in VA medical centers

(b) Elimination of tobacco products from the VA medical centers' canteen

(c) Reduction in tobacco use by employees of the VA

(d) Reduction in tobacco use by patients of the

The objectives are to decrease diseases associated with direct use or indirect exposure to tobacco smoke such as lung cancer, atherosclerosis, chronic respiratory disease, increased respiratory symptoms and infection as well as more transient irritant symptoms associated with smoke in the environment.

The specific Recommendations of this Program are:

(a) Top management at individual facilities needs to give highest priority to smoking control as recommended in CMD letter, 10-87-17 dated August 6, 1987.

(b) Each VA health care facility consider removing all tobacco products from the VA canteen (as have 23 facilities). Mechanisms to do this are outlined in a previously published Canteen Service White Paper.

(c) Development of smoking cessation clinics for employees and patients. A number of smoking cessation strategies are available (a partial list follows).

CIRCULAR 10-88-43
April 21, 1988

(1) "Fresh Start" ACS (American Cancer Society). (ACS has volunteered field workers to help train facilitators for each VAMC. Employees and volunteers have been used for this activity).

(2) Shipley" One-Session Quit Smoking Program for US Veterans" from Developing Health Promotion Programs in Public Agencies, American Psych. Assoc., Los Angeles, August 1985

(3) Andrew" Reducing Smoking in Hospital" Chest 84:206-209 1984

(4) ALA (American Lung Association) "Freedom from Smoking" (modest cost, ALA charges for training and facilitator)

(5) AHA (American Heart Association) "Calling It Quits" a self help smoking cessation quit kit

(6) NCI (National Cancer Institute) "Quit for good" a counseling kit for health professionals

Reporting and follow-up:

Facilities are to use Attachment C to report on the smoking cessation program. It is to be filed with their annual report, Attachment A on October 15, 1988.

ATTACHMENT C

CIRCULAR 10-88-43
April 21, 1988

FY 1988 Smoking Cessation Program

VA Facility _____ No. _____ Reporting Date _____

Smoking Control Officer _____ FTS# _____

Name of Smoking Cessation Program and Sponsoring Agency _____
_____ Date Program Initiated _____

Number Of Facilitators Trained _____ Number of Classes Conducted _____

Number of Designated Smoking Areas _____ Locations _____
_____

Number Of Employees Enrolled _____ Veterans Enrolled SC _____ NSC _____

Target Population Characteristics (APPROXIMATE PERCENTAGE)

MODERATE SMOKER - Less than 1 pack per day _____ %

HEAVY SMOKER - More than 1 pack per day _____ %

SMOKING DURATION 0-10 Years _____ % 10-30 yrs _____ % over 30 _____ %

RESULTS OF PROGRAM (APPROXIMATE PERCENTAGE)

	3 mo.	6 mo.	1 yr.
Smoking unchanged	_____ %	_____ %	_____ %
Reduction smoking	_____ %	_____ %	_____ %
Cessation smoking	_____ %	_____ %	_____ %

Does your canteen sell tobacco products? Yes _____ No _____
If yes, is your facility contemplating submitting a request to Canteen Service, VA Central Office to discontinue sales? Yes _____ No _____

Veterans Administration

Memorandum

Date: November 20, 1986

From: Program Chief, Pulmonary and Infectious Disease (111)

Subj: VA Smoking Policy Briefing Package

To: Chief Medical Director (10)

1. Attached is the Smoking Policy Briefing Package with the changes discussed during the January 20, 1986, staff meeting.

2. I have eliminated specific implementing actions in paragraph 7.

3. An Executive Summary is attached with this memorandum.

Susan H. Mather MD

SUSAN H. MATHER, M.D.

Attachments

VA FORM SEP 1984 2105

PURPOSE:

o To transmit recommendations to the Administrator for an agency smoking policy based on existing knowledge of the health aspects of smoking and smoke-filled environment.

DISCUSSION:

o The Administrator charged the Chief Medical Director to develop a "comprehensive agency policy on smoking." An Ad Hoc Working Group was established under the chairmanship of Dr. Susan Mather to develop options. Two areas of concern were established:

- o smoking in the work place
- o sale of cigarettes in VA medical center Canteens

o A briefing for the Administrator was held in July. At that time, it was anticipated that GSA would publish more stringent rules for smoking in the federal work place sometime during October or November. The Administrator indicated that he would defer any decision on the VA policy until then. In the meantime, the Ad Hoc Working Group was to remain active and a briefing of the unions similar to the one held for the VSOs was to be done. Public comment to the proposed GSA rules was so voluminous that any change now seems unlikely in the near future. Therefore, an action briefing package has been prepared.

o The Chief Medical Director is recommending that a VA smoking policy be established that would:

- o limit smoking in the work place to designated areas and not allow smoking in common work areas or offices,
- o allow local initiative on the sale of cigarettes in VA medical centers.

IMPLICATIONS:

o No attempt is being made to outlaw smoking only to control where people smoke and to limit exposure of nonsmokers to smoke.

o Since this policy is more stringent than GSA's it will have to be negotiated with the unions.

o Smoking cessation/education efforts will need to be expanded in all VA facilities.

o The financial impact of loss of revenues from cigarette sales in those VAMCs who stop sales of cigarettes can be anticipated and planning can be done to overcome it.

o The VA will still be criticized for "pushing" cigarettes but those concerned with access of long-term care patients will be placated.

Veterans Administration

Memorandum

Date:

From: Acting Chief Medical Director (111)

Subj: Comprehensive Smoking Policy for the Veterans Administration

To: Administrator (00)

1. This is a decision briefing package which contains recommendations for a Veterans Administration Smoking Policy from the Chief Medical Director.

2. Issue: There is no Agency-wide smoking policy. The Administrator of Veterans Affairs has requested that the Chief Medical Director develop a comprehensive Agency policy on nonsmoking. A new policy would appear to involve two basic policy issues:

a. Smoking in the workplace.

b. Sale of cigarettes in VA Canteens.

3. Background: Over the past two decades knowledge about smoking related disease and death has increased dramatically. Cigarette smoking is widely recognized as the major preventable cause of many disabling and lethal diseases in the U.S. today. These diseases include emphysema, bronchitis, and cancers of the lung, larynx, and bladder. Smoking is a contributory factor in coronary artery disease and peripheral vascular disease. A more recently defined but related issue is the effect of tobacco smoke on nonsmokers. In 1982, the Surgeon General's Report stated, "For the purposes of preventive medicine, prudence dictates that nonsmokers avoid exposure to second-hand smoke to the extent possible." Concern about the effects of passive smoke has led recently to increased efforts to control smoking in the workplace. However, it is important to recognize that in 1985, 32% of American males and 28% of American females continued to smoke. While this represents a significant decline in smoking by men, it is well known that some components of tobacco smoke are addictive and prohibition has not proven to be very effective in dealing with addictive behavior. For that reason, complete prohibition of smoking in public arenas is not considered to be a viable option at this time. Formal smoking cessation programs report a success rate of approximately 25% of smokers completing the program who abstain from cigarettes for at least a year.

The Department of Medicine and Surgery has a smoking policy for VA health care facilities. DM&S policy restricts smoking to clearly marked designated areas. Employees and clients of other departments and those DM&S employees not located in health care facilities are covered by GSA regulations. Those regulations generally limit smoking to designated areas (42 C.F.R. s101-20, 101-10); VA to date has not chosen to expand GSA regulations, although the

Administrator (00)

regulation anticipates additional agency action. Similarly, there has been considerable criticism of the VA for allowing the sale of cigarettes in VA Canteens. In 1985, the Administrator declined to approve a proposal by the Chief Medical Director to suspend the sale of tobacco products in VA Canteens as of October 1, 1985. The sale of tobacco products has a significant economic impact on Canteen Service operations. The profits from tobacco products, which must be sold at community prices under DM&S policy, amount to 6 to 8 million dollars a year. The entire Canteen operation makes a net profit of approximately 2 to 4 million dollars a year, so that tobacco sales subsidize the operation to a large extent. Of the nine VA medical centers authorized not to sell cigarettes, only one shows a profit in retail sales. The financial implications of cigarette sales are particularly significant at this time because the Gramm-Rudman-Hollings legislation has resulted in the sequestration and coverage to the Treasury in FY 1986 of 8.104 million dollars in funds from the Canteen Service Revolving Fund. In addition to the financial impact of discontinuing the sale of cigarettes/ tobacco, there has been some concern about the impact on patients in long-term care facilities who are addicted to smoking and yet have no access to tobacco except through the canteen. One VA medical center limits cigarette sales in the Canteen to patients with a doctor's prescription.

4. Discussion: A comprehensive Agency Smoking Policy must address two issues. While related, these issues are being dealt with separately.

a. Smoking in the workplace - Except for DM&S employees working in health care facilities, VA employees are covered by GSA regulations. New regulations are currently being proposed (Federal Register Vol. 51, No. 99, May 22, 1986, p. 18805). These proposed regulations rely on designated smoking areas but make it clear that "nothing in these regulations precludes an agency from establishing more stringent guidelines." The major difference in the current GSA regulations and proposed regulations is that smoking would be prohibited in "general office space" and there would no longer be the option for the agency head to designate certain auditoriums, classrooms and conference rooms as smoking areas under a case-by-case exception basis as in the current policy. However, private offices may be declared "smoking" areas by agencies under the proposed policy and agency heads are to be responsible for establishment of designated "smoking areas." The existing rules assume that all areas not designated "nonsmoking areas" are smoking areas. The proposed rules are reported to have generated 30,000 comments (over 20,000 were in a form letter format largely generated by tobacco interests) and it is generally thought that the proposed rules will not be finalized for many months if ever. There has been no written Agency policy since 1979 when Circular 00-79-3 defined a smoking policy for the VA "derived from its position as a health care agency and its responsibilities to employee health..." with the objective "to reduce

Administrator (00)

smoking in its facilities." It emphasized education and designated "no smoking areas" while apparently recognizing smoking as the acceptable norm. To the extent that the VA has discretion in the smoking policy, it will be necessary to deal with the unions. Their concern is that both smoking and non-smoking members are accommodated in the VA policy.

While the Comptroller General has ruled that there is no legal basis for using appropriated funds to pay the personal medical expenses of Federal employees involved in a "smokers' rehabilitation program ," there is increased interest in smoking cessation programs to help Federal employees to stop or reduce their smoking habit as evidenced by a conference on the subject sponsored by OPM, October 1, 1986. OPM, after determining that 30% of their Washington based employees smoke, began offering the Cancer Society's Fresh Start Program with no charge to leave for participating employees. The VA General Counsel has given the opinion that authority exists for smoking cessation clinics to be offered at the work site at no expense to the Agency and in non-duty hours. A more comprehensive, treatment-oriented program may be offered medical center employees if the CMD determines that this will benefit VA patients.

b. Cigarette/tobacco sales in VA Canteens - The medical-scientific [illegible]munity feels this is inappropriate and incompatible with the health care [illegible]on of DM&S. It is unlikely that the profound adverse health effects of tobacco use will ever be taken seriously by VA patients and staff as long as the non-verbal message relayed by the continued sale of tobacco products in VA health care facilities is allowed to stand. However, attempts to stop sales in the past have been largely unsuccessful and new attempts will undoubtedly meet with opposition from the tobacco industry, the veterans service organizations and some staff of long-term care facilities.

5. Options:

a. Smoking in the workplace.

OPTION 1 - VA will follow existing GSA regulations in all facilities including rented space in the community and not have a separate policy, or the Administrator would establish an identical VA policy for employees. GSA's regulations seek to regulate smoking only in public areas or joint-use space. Thus, they prohibit smoking in conference rooms, auditoriums, classrooms (except for exceptions granted by the agency head) as well as stack areas of libraries and designated nonsmoking areas which are established by each building manager in collaboration with the heads of the occupant agencies. Employees occupying an office may unanimously declare that office to be "no smoking." Supervisors are instructed to plan work space so those employees desiring "no smoking" can be accommodated provided efficiency of

Administrator (00)

the work unit is not impaired and additional space or costly alterations and/or equipment are not required. The policy requires the establishment of no smoking areas in cafeterias and automatic vending areas. DM&S health care facilities, which are not in GSA buildings, will continue to follow a separate DM&S policy which addresses both patients and employees.

Advantages

o Assures equity for VA employees with other federal employees.

o Minimizes conflicts with the union.

Disadvantages

o Fails to recognize the VA's unique position among federal agencies in the health care arena.

o Neglects preventive health mission of VA.

o May be interpreted as minimizing the health dangers of passive smoke.

OPTION 2 - VA will establish a more stringent policy than GSA, strictly limiting smoking to designated areas and banning smoking in private offices as well as open or common areas except in the cafeteria where smoking and no smoking areas are designated. Employee Health Units would be mandated to offer smoking education/cessation programs.

Advantages

o Health message is unambiguous.

o Puts VA in the forefront of efforts to reduce smoking in the workplace and promote health of employees.

o Managers are relieved of dealing with smokers vs. nonsmokers conflicts because policy is clear.

o May result in some increase in productivity if nonsmokers no longer expend energy to avoid smoke filled environments.

Administrator (00)

Disadvantages

o Because this is more stringent than government-wide smoking regulations prescribe, unions must be able to negotiate the issue and may object.

o VA employees may have stricter rules than other Federal employees in the same building.

o May be some loss of productivity from smokers as they adjust to fewer opportunities to smoke.

OPTION 3 - The VA will follow GSA regulations in employee work areas (including non-GSA work sites) and initiate a 3-year plan for a more smoke free environment. The plan will add more stringent policies on authorized smoking work areas each year with the objective of a smoke free working environment as described in Option 2 by the end of the third year. The plan will be enhanced by education on the effects of smoking and working in smoking areas. Employee Health Units would be mandated to offer smoking education/cessation programs.

Advan[illegible]

o Establishes an identifiable and gradual goal for the Agency on smoking and gives employees an objective to accomplish.

o More stringent policies will be in increments.

o Plan includes education.

o Give time to review effects on productivity although it is likely to have little effect since changes are gradual.

Disadvantages

o May be interpreted as minimizing the health dangers of passive smoke.

o May invoke the ire of the tobacco industry or unions.

Administrator (00)

OPTION 4 - Within the constraints of existing GSA policy, the Administrator will allow for local option in determining smoking and nonsmoking areas. Under this option negotiation with the unions would determine designation of work areas, auditoriums, classrooms and conference rooms and nonsmoking areas.

Advantages

- Generally supported by the unions.
- Recognizes local differences in attitudes and practice.

Disadvantages

- Health emphasis is lost.
- May result in less healthy environment than currently exists.

b. Sale of cigarettes in VA Canteens

OPTION 1 - Because of the need to accommodate the financial impact of Gramm-Rudman-Hollings and the current Canteen Service reorganization efforts, the status quo should be maintained for 1 year. The issue of cigarette sales could then be reexamined.

Advantage

- Reduces "static" from those with vested interests in tobacco use.
- Allows time to study the effects of efforts to overcome the Canteen Service's current fiscal problem to implement a proposed reorganization, and to plan for an anticipated income shortfall which is inevitable with cessation of cigarette sales.

Disadvantages

- Will continue to incite comment and concern of the medical-scientific community.
- Disregards the dangers of tobacco to individuals and puts the VA in the position of a "pusher."
- Blunts the inherent health message in any other health related smoking policy the VA may implement.

Administrator (00)

OPTION 2 - Cease procurement of tobacco products immediately and cease sales as soon as practical but within FY 87.

Advantages

o Consistent with health mission and scientific information on dangers of smoking.

o Allows Canteen Service to reduce 4 months supply in tobacco products on hand or committed without financial loss.

o Allows brief period of time to reach those with concerns, such as VSOs and employees and present reasons for move.

Disadvantages

o Will invoke the ire of the tobacco industry.

o May result in a cigarette "black market" in long-term care facilities.

o May have adverse impact on budget projections and obligations for the Canteen Service in this fiscal year.

OPTION 3 - Set a deadline not to exceed 36 months to cease the sale of tobacco products in VA Canteens. During that time, successful operations not dependent on tobacco sales will be studied (maximum time 6 months) and successful sales strategies with new price structure implemented in all VA Canteens. Directors of individual VA medical centers may recommend that the Chief Medical Director authorize the cessation of sales at that facility prior to the mandatory deadline.

Advantages

o Softens the financial impact of the change on Canteen Service.

o Allows local stations to implement educational program with concerned individuals and groups.

o Provides an impetus for intensive smoking cessation activity in medical centers.

Disadvantages

o May be perceived as a temporizing move and not taken seriously.

o Will still invoke the ire of the tobacco industry.

OPTION 4 - Cease sales of cigarettes and tobacco products in tertiary care facilities which do not have long-term psychiatry units and permit Directors of individual VA medical centers with long-term psychiatric populations to recommend that the Chief Medical Director authorize a policy limiting sales at that facility to one pack per day for patients with a doctor's prescription.

o Avoids the risks of "black markets" in long-term care facilities.

o Provides facilities with time to address the problem of tobacco addiction in the population least able to deal with it rationally.

o Allows those facilities which are ready to deal with the problem a mechanism for doing so.

Disadvantages

o Ignores the risk of smoking to these patients and the cost incurred by the VA in taking care of smoking related illnesses in long-term care patients.

o Will still invoke the ire of the tobacco industry.

OPTION 5 - A policy of local initiative will be adopted for all VA medical centers. Upon the recommendation of the medical center Director, permission to cease sales of cigarettes and tobacco products may be granted by the Chief Medical Director or his designee.

Advantages

o Allows those facilities which are ready to deal with the problem a mechanism for doing so.

Administrator (00)

- o Avoids precipitous changes in Canteen Service income.

- o Encourages local cooperation and effort to deal with a complex issue.

Disadvantages

- o May be viewed as avoiding the medical aspects of the issue.

- o May shift pressure to maintain status quo from the agency to local forces less able to withstand it.

6. Recommended Options.

Based on the scientific evidence of the dangers of smoking and passive smoking to individuals and the costs of the effects of smoking on society and the Agency, OPTION 2 for the control of smoking in the workplace and OPTION 5 on the sale of cigarettes in VA Canteens is recommended.

7. Implementing actions required.

After the Administrator has made a decision on the Agency smoking policy, an implementation plan will be developed.

JOHN A. GRONVALL, M.D.

ADMINISTRATOR'S DECISION

Smoking in the workplace Approve OPTION # _____
Other action:_____

Cigarette sales in VA Canteens Approve OPTION #_____
Other action:_____

_____ _____
THOMAS K. TURNAGE Date
Administrator

Department of Medicine and Surgery
Washington D.C. 20420

Veterans Administration

APR 2 1 1988

In Reply Refer To: 133

Honorable Lane Evans
Chairman, Subcommittee on Oversight
and Investigations
Committee on Veterans' Affairs
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

I am pleased to forward the enclosed responses to a series of questions you addressed to Mr. Robert J. Mantica, Director of the Veterans' Canteen Service, on the sale of tobacco products in Veterans Administration Medical Center canteens.

I will be happy to provide any additional information should you so desire.

Sincerely,

JOHN A. GRONVALL, M.D.
Chief Medical Director

Enclosures

QUESTIONS SUBMITTED TO
ROBERT J. MANTICA, DIRECTOR, VETERANS' CANTEEN SERVICE (VCS),
BY CONGRESSMAN LANE EVANS

Question: 1. Does the Veterans Administration favor discontinuing the sale of tobacco products by the Veterans' Canteen Service? Please explain. What is the objective of discontinuing the sale of tobacco products? What is the time frame for accomplishing this objective?

Answer: It is an objective of the Veterans Administration (VA) to reduce the use of tobacco products in its medical centers by promoting preventive health programs and a smoke-free environment.

This objective must be attained in a way that is realistic and practical, and within a time frame that takes into account the financial impact on the VCS and the problems inherent in treating addiction to tobacco, particularly in patients who are compromised physically or mentally in dealing with behavior modification.

Question: 2. What is the justification for discontinuing VCS tobacco product sales?

Answer: Hospitals should not only treat illness but promote health and healthy life styles. The VA's message that smoking is a health hazard is blunted by the practice of selling tobacco products which might be viewed as an endorsement of the practice. VA encourages a smoke-free environment at all VAMCs and smoking cessation as a positive step for patients and employees.

Question: 3. Has the VA formulated a policy on canteen tobacco products sales? Is this policy formal or informal? When was this policy developed and who participated in its development? Please state this policy.

Answer: The decisions to discontinue sales of tobacco products at individual VA medical facilities have been made in accordance with a general policy formulated by the Chief Medical Director (CMD) and approved by the Administrator. In effect, that general policy represented adoption of a decision making process regarding discontinuing the sale of tobacco products at medical center canteens. As formulated, that general policy permits individual VA medical center directors to initiate proposals to the CMD to authorize discontinuation of the sale of tobacco products at that center's canteen. That general policy was developed in the context of a broad, ongoing review of smoking policies directed by the Chief Medical Director.

It is noteworthy that the Department's review of this issue included the solicitation of an opinion from the Office of General Counsel as to whether the CMD had authority to adopt a policy proscribing the sale of tobacco products at VA health care facilities. In a February 13, 1985 memorandum, the General Counsel advised the CMD that,

> "the Administrator, as head of this Agency, has delegated to his chief medical officer the administration of the Canteen Service. As we have also indicated, the purpose of this service is to provide VA patients "articles of merchandise and services essential to their comfort and well-being." Therefore, if you deem the sale of tobacco products on VA premises to be not in keeping with such purposes and, indeed, that such activity constitutes a possible threat to the health of those on our care, we have found no legal bar that would prohibit you from exercising your authority and adopting the proposed policy."

Staff work associated with the development of a proposed non-smoking policy was coordinated by the Program Chief for Pulmonary and Infectious Diseases in DM&S' Medical Service, working as project coordinator of an ad hoc advisory group on VA smoking policy. Among its members, the group included representatives of the Office of Personnel and Labor Relations, General Counsel, the Office of Administration, and the Department of Veterans Benefits; DM&S' Director of Administration, who oversees the administration of the Canteen Service, was also a member of the group.

Following the adoption of this general policy, VCS and the Director of Administration developed specific criteria in May 1987 for evaluating medical center requests to discontinue tobacco sales. Those criteria are set forth in an attachment (Attachment 3).

Question: 4. Discontinuing the sale of tobacco products at 27 canteens during 1988 has been considered by VA. How was this number of canteens, 27, selected to discontinue tobacco product sales during 1988? Why were 27 canteens selected to discontinue the sale of tobacco during 1988? Who participated in the decision to discontinue tobacco product sales at 27 canteens during 1988? Which 27 canteens were selected? How many canteens are being proposed to discontinue tobacco product sales in 1989? 1990? Thereafter?

Answer: Since 1986, VCS has received forty-four requests from individual medical center Directors to discontinue the sale of tobacco products. Seventeen of the forty-four requests have been approved. Twenty-seven of the forty-four requests are still under consideration. (See Attachment 4.) There is no predetermined number of canteens selected to discontinue the sale of tobacco products. In accordance with the general policy described in the response to question 3, requests from VAMC directors are reviewed by the Director, VCS, who recommends action in accordance with the evaluative criteria discussed above. Those recommendations are reviewed by the Director for Administration and submitted for

final disposition to the Associate Deputy Chief Medical Director, who is authorized to act for the Chief Medical Director, the Agency official delegated authority to exercise the functions of the Administrator with respect to the maintenance and operations of the canteen service.

We have no predetermined policy regarding a specific number of canteens at which tobacco products would cease to be sold by future target dates.

Question: 5. When was eliminating the sale of tobacco products at all canteens during a 3-year period proposed and by whom? What is the current status of this proposal?

Answer: A three-year phase-out of tobacco products in all canteens was proposed April 1987 by the VCS. This proposal is still under consideration.

Question: 6. How many requests to discontinue the sale of tobacco products have been received? How many have been approved? How many have been denied or disapproved? How many are pending?

Answer: Since 1986, VCS has received 44 requests to discontinue the sale of tobacco products. Seventeen have been approved. Twenty-seven requests are pending. (See Attachment 6.)

Question: 7. Please describe the process used to evaluate requests to discontinue tobacco product sales. In your description, please answer the following questions and provide the information requested:

Answer: When a medical center requests cessation of the sale of tobacco products, it must submit its request through the appropriate Regional Director to the Director of Administration and then to the Director, Veterans Canteen Service.

The VCS reviews the request against the criteria. If the request meets the criteria, VCS recommends approval through Departmental channels (as described in question 4) and an implementation plan is established. If not, the VAMC is asked to submit a plan of action so as to meet the criteria.

Essentially, the review focuses on the question of profitability: will the canteen be able to either generate additional revenues or reduce expenses sufficiently to maintain the desired net profit?

Question: 7a. How and by whom are requests to discontinue the sale of tobacco products considered and evaluated?

Answer: Please see the response to question 4.

Question: 7b. Have criteria been established to evaluate these requests?

Answer: Yes. Please see Attachment 3.

Question: 7c. What criteria are used and how were they developed or selected?

Answer: VCS in conjunction with the Director of Administration developed the criteria.

Question: 7d. What factors, if any, in addition to those cited in (c) are considered when evaluating these requests?

Answer: The viability of VCS as a whole is considered.

Question: 7e. Who may submit a request?

Answer: The Director of any VAMC may submit such a request through the appropriate Regional Director.

Question: 7f. Is the economic impact of terminating tobacco sales on (i) the canteen and (ii) the Veterans' Canteen Service projected and considered? How? If not, why?

Answer: The economic impact on both the canteen and VCS is considered in light of the criteria established to ensure the individual canteen meets minimum profitability requirements.

Question: 7g. Describe the analysis made of the economic impact of ceasing tobacco product sales on (i) the canteen and (ii) the Veterans' Canteen Service.

Answer: The VCS has made an analysis of the economic impact of ceasing tobacco product sales on the organization as a whole. (Attachment 7g provides a summary analysis for VCS as a whole and for one canteen as an example.)

Question: 7h. Are local canteen managers requested or permitted to formally or informally comment on requests to discontinue tobacco product sales? How? If not, why?

Answer: Local canteen managers usually are invited to comment at the discretion of the medical center director.

Question: 7i. Are the opinions of local canteen management considered? How?

Answer: Forty-four medical centers have requested permission to discontinue the sale of tobacco products in their canteens. Thirty canteen chiefs were consulted, fourteen were not.

Question: 7j. How many approved requests to discontinue tobacco sales have been supported by local canteen management? How many have been opposed?

Answer: Generally, local canteen management is not in agreement with requests to discontinue tobacco sales though some have not opposed such requests.

Question: 7k. Identify the official or officials responsible for approving or disapproving these requests.

Answer: Please see response to question 4.

Question: 7l. Have any requests to discontinue tobacco product sales been approved even though a reduction in sales or revenues was projected or anticipated as a result of discontinuing the sale of tobacco products? If yes, why?

Answer: In almost all cases, a reduction in sales and revenues is projected and anticipated as a result of cessation of the sale of the tobacco products. The approvals were given based on VCS's ability to offset these losses through the introduction of new items, improved efficiency and other initiatives.

Question: 7m. Are the smoking policy of the medical center or there commendations of the medical center's smoking policy committee considered? Is a smoke free environment considered?

Answer: The majority of VAMCs requesting cessation of the sale of tobacco products in canteens considered the recommendations of their smoking policy committee or other committees addressing the issue.

Question: 7n. What reason or reasons are cited for requesting the termination of tobacco product sales?

Answer: The following reasons are usually cited:

- o Health hazards of smoking.
- o Inappropriate for a health care facility to carry tobacco products.
- o Concerns from non-smoking public and doctors.
- o Concerns from Dean's Committee.

Question: 8. The sale of tobacco products by a canteen can be discontinued following a request by medical center personnel to discontinue tobacco product sales.

Question: 8a. Can medical center staff request discontinuing the sale of other products by the Veterans' Canteen Service?

Answer: Yes.

Question: 8b. For which other products have requests to discontinue sale been submitted?

Answer: Some examples are: refillable lighters, mouthwashes containing alcohol, razor blades and products sold in aerosol cans.

Question: 8c. For each product for which a request to discontinue sales has been submitted, has the sale of this product been discontinued? Please explain.

Answer: In most cases, sales were discontinued as requested. For example, where there has been a severe problem of alcohol abuse by patients drinking mouthwashes, VCS has ceased sale as requested.

Question: 8d. Is the sale of each product offered by the VCS subject to being discontinued on request of medical center personnel?

Answer: Requests are discussed by local management and by mutual consent, VCS usually agrees to such requests.

Question: 8e. Please identify each product offered for sale by the Canteen Service the sale of which is subject to being discontinued at the request of medical center personnel.

Answer: No centralized list of discontinued products is maintained. The sale of any product considered a health hazard by medical center staff may be discontinued.

Question: 8f. Please list each product, the sale of which has been discontinued following a request to do so by medical center personnel.

Answer: No centralized list of discontinued products is maintained. Some examples of discontinued products are: after-shave lotion, mouthwash, double-edge razor blades, deodorant cans and refillable lighters.

Questions: 9. During 1988, have DM&S officials attempted to encourage medical center personnel to submit requests to discontinue canteen tobacco product sales? Please explain. Have VA DM&S officials attempted to encourage medical center personnel to submit requests to discontinue the sale of any other product or products?

Answer: DM&S officials, concerned about the hazard of smoking, have suggested that requests to discontinue tobacco sales be considered.

In response to concern expressed from the field, the greatest impetus has come from the professional staff in the field who daily see the tragic consequences of smoking. The VA Pulmonary Physicians Association and the Preventive Medicine Advisory Group are two groups which are on record as favoring the discontinuation of tobacco sales.

Question: 10. For each canteen which has discontinued the sale of tobacco product, please provide (a) the date on which the request to terminate tobacco product sales was received and the dates on which (b) the request was approved and (c) tobacco product sales were discontinued?

Answer: Please see Attachment 10.

Question: 11. What are the financial and economic impacts of discontinuing tobacco product sales?

Answer: If all canteens now selling tobacco were to cease selling tobacco at once, with no action taken to offset the lost revenue, the VCS would soon be non-profitable.

If VCS had not sold tobacco products in FY 87, rather than realizing a profit of $3.6 million, it would have suffered a loss of $3.7 million. (See Attachment 11.) Also, the Revolving Fund balance of $7 million would have been severely depleted. A key to canteen viability with loss of tobacco revenue will be support from VAMCs in development and timely implementation of action plans addressing space deficiencies, nonprofitable hours of operation, and resultant personnel reductions. VCS management will be able to offset some of the lost tobacco revenue through improved operating efficiencies, price restructuring, and development of new marketing strategies; however, VCS must work with local VAMC management in devising mechanisms for maintaining canteen viability if tobacco sales are to be discontinued. Over the years, canteen have been operating during unprofitable hours. A recent review of all canteen operating hours indicates a potential for annual costs savings of $1.8 million (see Attachment 11).

Question: 12. Have the economic and financial inpacts of discontinuing the sale of tobacco products at all or some canteens been analyzed? Please provide each projection or analysis of the financial or economic impact of discontinuing tobacco product sales. Please provide each comparison of canteen sales and profit with and without tobacco product sales by canteen, region and system. Describe the results of each analysis.

Answer: Yes. See Attachment 12 for analysis of economic and financial impact of discontinuing the sale of tobacco products in canteens.

Question: 13. By canteen, medical region and the VCS for the most recent year for which statistics are available please provide the following: (a) total canteen sales, (b) total canteen revenues, (c) total tobacco product sales, (d) total tobacco product sale revenues, (e) total canteen sales excluding tobacco sales and (f) total canteen revenues excluding tobacco sale revenues.

Answer: The information is contained in Attachment 12.

Question: 14. Tobacco product sales account for what percent of total Veterans' Canteen Service sales? Tobacco product sales account for what percent of total VCS profits?

Answer: In FY 1987 VCS tobacco sales accounted for 11.04% of total VCS sales of $183,272,361.

Tobacco gross income in FY 1987 was $7,324,044. Total VCS profit was $3.6 million.

Question: 15. Can a reduction in profits at one canteen have a negative impact on the economic condition of the Veterans' Canteen Service? Please explain.

Answer: Assuming that all the other canteens maintained their current profit levels, then the overall impact on the VCS would be the amount of reduction in profits at the one canteen. Ideally, a drop in profits at one canteen should normally be offset by increases in profits at other canteens. Additionally, if the reduction in profits at the one canteen were due to something which was expected to be long-term, steps would be taken by canteen management to offset the reduction in profits at that canteen.

Question: 16. Will the price of items sold by the Canteen Service be increased when the sale of tobacco products is discontinued? Has this occurred? Please explain.

Answer: Yes, this is one of the options. The VCS has already increased prices on some items, such as cold drinks and clothing, to offset the loss of revenues from canteens already approved for cessation of the sale of tobacco.

Question: 17. Has the waiver of rental, space or other charges for canteens which have discontinued tobacco product sales been discussed, considered, proposed or provided? Please provide specific information on each space, rental or other charge which has been waived because the sale of tobacco products will be or has been discontinued. If space, rental, or other charges have not be waived, please explain why not.

Answer: The waiver of rental charges paid by the VCS ($2.8 million in 1987) has been discussed and proposed by VCS in general (not an individual canteen basis). The VA Administrator under Title 38 has the authority to waive these charges. To date, no waiver has been requested of the Administrator.

Question: 18. In addition to waiving charges, if a decline in sales or revenues after terminating tobacco product sales occurs or is anticipated, what action or actions can be taken by VA and the VCS to increase sales, revenues or both? For each action which has been taken, please describe the result? For each action which has not been taken, please explain why.

Answer: VCS has taken the following actions to increase sales, revenues or both:

a. Marketing strategies, including acceptance of credit cards and manufacturer's cents-off coupons; introduction of a

Customer Service Expert Program: rain checks: new display techniques and aggressive promotional events.

b. Merchandising strategies, including sale of magazines, books, mini cassettes, ladies' jewelry and sale/or rental of video cassettes: sale on a test basis of nurses' uniforms and shoes, high ticket electronics and over-the-counter drugs.

c. Pricing strategies, including consumer value program with low, low prices on ten most wanted items: increased prices on several retail items and increased gross profit in food departments.

Further implementation of these strategies is ongoing and new strategies are still being developed. There has been an increase in revenue from the sale of items affected by these strategies. While we have reduced unprofitable hours at some facilities, further reduction of the unprofitable hours of operation, with corresponding reduction in staff, especially in the evenings and on weekends (with potential savings of $1.8 million) is under consideration. Reduction in services to patients and to staff is a factor to be weighed in taking this step. However, the cumulative effect of these strategies, over time, will offset short-term losses resulting from cessation of sale of tobacco products.

Question: 19. What is the individual and collective financial experience of canteens which have discontinued the sale of tobacco products? If any reduction in sales and/or revenues has occurred after the sale of tobacco products was discontinued, please explain the reduction.

Answer: See answers and attachments to Questions 20 and 23.

Question: 20. Compare the collective financial experience of canteens which have discontinued the sale of tobacco products with canteens which have not discontinued the sale of tobacco products.

Answer: Attached is a schedule ranking like size (same VCS grade) canteens in profitability order from most profitable to least profitable for the period FY 1983 through FY 1987 (See Attachment 20a). An asterisk is placed by the twelve canteens which were authorized to discontinue the sale of tobacco products (in total or partially) prior to FY 1987. As can be seen, the canteens no longer selling tobacco vary in profitability as do canteens selling tobacco. Attached also are five year comparative income and expense statements for each of the twelve canteens (See Attachment 20b). A common characteristic of each of the more profitable canteens which are not selling tobacco is a profitable cafeteria operation. Often the profitability of a canteen cafeteria is closely related to having adequate space and a good location in the VAMC. All of the twelve canteens, with the exception of Little Rock and Columbia, had operating losses in their retail stores during FY 1987.

Question: 21. Have requests for discontinuing tobacco product sales been approved although sales and revenues were expected to decrease? Why?

Answer: Yes, requests to discontinue the sale of tobacco products were approved because VCS expected to make up for lost income through new merchandising and marketing initiatives, e.g., introduction of new lines of merchandise (such as gourmet foods), acceptance of credit cards, etc., and by increasing prices on cold drinks and selected clothing items. It must be stressed that this is viewed as a health issue consistent with the VA's mission and not simply an economic one.

Question: 22. Has the financial condition of any canteen improved after discontinuing tobacco sales?

Answer: Yes, San Diego, Baltimore, and Amarillo improved (also see answer to Question 23).

Question: 23. For each canteen which has discontinued the sale of tobacco products, give canteen sales and revenues for comparable periods of time before and after tobacco sales were discontinued. For each canteen, please explain any reduction in sales and/or revenue which occurred after tobacco product sales were discontinued.

Answer: Attachment 23a is an income analysis for ten canteens which discontinued the sale of tobacco products during FY 1987 or during the first quarter of FY 1988. For comparison purposes, attachment 23b is an Income and Expense Summary statement for each as of 12/31/87. This allows comparison of each canteen's first Christmas quarter (10/1/87 - 12/31/87) without tobacco to their last Christmas quarter (10/1/86 - 12/31/86) with tobacco.

Question: 24. Please provide aggregate canteen sales and revenue data for comparable periods of time before and after discontinuing tobacco sales for canteens which have discontinued the sale of tobacco products.

Answer: See answer and attachments to Question 23.

Question: 25. For each canteen which has discontinued tobacco product sales, specify any reduction in FTEE which occurred after tobacco product sales were discontinued.

Answer: For the canteens which discontinued tobacco sales prior to 1986, the FTEE was reduced but the actual figures are not available. For canteens which discontinued tobacco sales after 1986, please see Attachment 25.

Question: 26. As a group, which canteens are more profitable: canteens which sell tobacco products or canteens which do not sell tobacco products? Please elaborate.

Answer: With some exceptions, canteens which sell tobacco products are more profitable. See answer and attachments to Question 20. However, profitability is not the goal of VCS and this is not only an economic issue but also a health issue.

Question: 27. Please compare the sale price of tobacco products sold by the VCS with the sale price of tobacco products sold in the community.

Answer: Please see Attachment 27.

Question: 28. For each canteen in which the sale of tobacco products has been prohibited, has there been a reduction in canteen: (a) sales? (b) profits? (c) hours of operation? (d) employment? (e) services? Please provide specific information.

Answer: For the following canteens which ceased selling tobacco products before 1986, the required data is unavailable. Generally, sales, profits, employment and services were reduced in these canteens.

Ann Arbor, Michigan; Little Rock, Arkansas; Newington, Connecticut; Vancouver, Washington; Seattle, Washington; Chicago, (Westside), Illinois; Iowa City, Iowa; Atlanta, Georgia; Loma Linda, California and Columbia, Missouri. (Note: Loma Linda has never sold tobacco products.)

(Please see Attachment 28 for data relating to other canteens.)

Question: 29. Will the Veterans' Canteen Service abandon standardized pricing to compensate for reductions in sales and/or revenues?

Answer: Food pricing is not standardized. VCS retail operations do not anticipate abandoning standardized pricing at this time; however, non-standardized pricing could be a partial solution in areas such as the Northeast and West Coast where there are high labor costs.

Question: 30. Please identify each business practice change, such as selective price increases, abandonment of standardized pricing, or reducing hours of canteen operations, which have been recommended formally or informally by DM&S personnel to VCS personnel during 1986, 1987 and 1988. Have these recommendations been solicited or unsolicited?

Answer: DM&S personnel have informally made the following suggestions to the VCS during regular management meetings:

a. Price increase on candy bars, cold drinks, coffee and shirts.

b. Regional pricing.

c. Reducing unprofitable hours of operation with corresponding reduction in FTEE.

Question: 31. Do VCS personnel regularly report to DM&S personnel on VCS business operations and practices? How frequently do VCS personnel report to DM&S personnel on VCS business practices (monthly, weekly, daily or more frequently)? For which VCS business practices do VCS personnel regularly report to DM&S personnel? Do VCS personnel regularly meet with DM&S personnel and discuss VCS business operations and practices? How frequently do VCS personnel meet with DM&S personnel and discuss VCS business practices?

Answer: VCS personnel report to the Director of Administration daily via telephone or in person to discuss VCS financial and operational matters. In addition, there are regular staff meetings on Tuesdays, Thursday and every other Friday. Monthly management briefings also are given by VCS personnel. The Director of Administration is exercising delegated authority in performing these management functions.

Question: 32. A consultant study of the VCS is currently in progress.

Question: 32a. What is the objective of this study and why is it being conducted?

Answer: The study is being conducted primarily to assess the financial effects on VCS of eliminating the sale of tobacco products in canteens. Another key objective is to obtain recommendations on alternative courses of action VCS could adopt to recoup lost income. DM&S is interested in the continued viability of the VCS.

Question: 32b. When is this study expected to be completed?

Answer: Price Waterhouse is scheduled to provide DM&S with a report by late spring.

Question: 32c. Will requests to discontinue the sale of tobacco products be approved while the study is being conducted? Before its results are thoroughly reviewed? If yes, why?

Answer: Requests will continue to be evaluated in accordance with established procedures and criteria.

Question: 32d. Who is conducting this study?

Answer: The study is being conducted by Price Waterhouse.

Question: 32e. How many contractors submitted a proposal to conduct this study?

Answer: One. The contract was awarded to Price Waterhouse under the "Management Studies Contract," a blanket contract the VA has negotiated with seven contractors in an effort to shorten the contract procurement process. Price Waterhouse was chosen because the firm has just completed a major project for VCS (designing VCS's new Integrated Management Information System) and was therefore extremely knowledgeable of the VCS's structure and operations.

Question: 32f. When were these proposals submitted?

Answer: Price Waterhouse submitted its proposal to the VA's contracting office on January 14, 1988.

Question: 32g. When was this contract awarded?

Answer: The contract was awarded on January 21, 1988.

Question: 32h. What information is this study expected to provide?

Answer: The study is expected to provide: (a) quantitative information on the relationship between sales and certain key variables, such as canteen retail space, canteen location, merchandise selection, hours of operation, competition; (b) a detailed financial analysis of the impact on individual canteens, by size and location, and the Canteen Service as a whole, because of a reduction in tobacco sales; (c) the effect on the sale of other merchandise because of a reduction in tobacco sales; (d) suggested courses of action that might be adopted to offset the loss of tobacco income and estimates of how long it would take to recoup lost income given the implementation of different strategies.

Question: 32i. Why was it necessary to contract for this study? Please explain why VA staff were not able to provide the information expected to be gained from this study.

Answer: The study is being conducted under contract because it was thought necessary to obtain an objective quantitative evaluation of the role tobacco plays in maintaining the profitability of the VCS's operations. VA central office staff were not available to do the study within a reasonable amount of time. Also, VA felt that a contractor would produce an unbiased study.

Question: 32j. What is the cost of this study?

Answer: The study will cost $92,291.

Question: 32k. How will the cost of this study be paid?

Answer: The cost of the study will be paid by VCS.

Question: 32l. Who proposed this study?

Answer: DM&S senior management proposed the study to document those factors that contributed to profitable canteen operations at facilities which had discontinued the sale of tobacco products.

Question: 32m. Who authorized this study and what authority is being used to conduct and contract for this study?

Answer: The Chief Medical Director authorized the study in accordance with the authority delegated to him by the Administrator of Veterans Affairs as provided for in 38 USC 4202 and 38 CFR 17.161. (See attachments 32m and 33.)

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Question: 32n. Is the contractor aware of VA's policy on tobacco product sales?

Answer: VCS and DM&S staff have briefed Price Waterhouse study staff on all aspects of the tobacco issue, including the procedures currently in use for handling medical center requests for discontinuation of tobacco sales in canteens.

Question: 33. By statute, the Veterans Canteen Service is an independent unit under the control and supervision of the Administrator. Has the authority of the Administrator to control and supervise the Veterans' Canteen Service been delegated? Please identify each official to whom this authority has been delegated.

Answer: The Chief Medical Center Director has been delegated authority to exercise the powers and functions of the Adminstrator with respect to the maintenance and operation of the Veterans Canteen Service. The Department's Director of Administration has been designated to administer the overall operation of the Veterans Canteen Service and to designate selected employees of the Veterans Canteen Service to perform the functions described in the enabling statute, 38 U.S.C. ch. 75, so as to effectively maintain and operate the Veterans Canteen Service. The Associate Deputy Chief Medical Director, to whom the Director of Administration reports, is authorized to act for the Chief Medical Director in connection with the maintenance and operations of the Canteen Service.

Question: 34. When was DM&S Circular 10-84-159 issued? How many requests to discontinue canteen tobacco product sales were received prior to the issuance of DM&S Circular 10-84-159? How many requests have been received since the issuance of DM&S Circular 10-84-159?

Answer: DM&S Circular 10-84-159 was issued on September 20, 1984, and has since been superseded by DM&S Circular 10-86-30 dated March 5, 1986, and Supplement 1 dated March 17, 1987. No requests were received prior to the issuance of the above circular. Forty-Four requests, however, have been received since the issuance of DM&S circular 10-86-30.

Question: 35. How many medical centers permit smoking? How many medical centers totally prohibit smoking? How many medical centers in which tobacco products sales have been discontinued permit smoking?

Answer: One hundred sixty-one medical centers permit smoking within the facility. Only one medical center totally prohibits smoking. All of the medical centers, except one, which have discontinued the sale of tobacco products still permit smoking within the facility.

Question: 36. What is the objective of VA's smoking policy?

Answer: The objective of the VA's smoking policy is to support and promote better health for VA beneficiaries and for VA staff. The policy promotes preventive health measures, including, but not limited to education programs for patients and staff on the hazardous effects of smoking and offering "quit smoking" programs. Many hospitals in the private sector have instituted similar policies and programs. (See attachment 36.)

Question: 37. Smoking and tobacco product sales have been described as separate issues. Are these issues related? How?

Answer: Tobacco has played a cultural and economic role in American society. The sale of tobacco in canteens harkens back to an era when the health hazards were not recognized and providing tobacco products was considered a service. As the VA has emphasized prevention of disease in addition to treatment of existing disease, questions have been raised about the sale of tobacco products in the canteen which is perceived to be a part of the medical center and its mission.

Question: 38. How many medical center smoking policy committees have been established? How many smoking policy committees have made recommendations? How many smoking policy committees recommended discontinuing canteen tobacco product sales?

Answer: One hundred eighteen medical centers have established smoking policy committes. Thirty-two other medical centers have assigned smoking policy to some other committee, such as the Safety and Fire Committee or the Clinical Executive Board. One hundred fifty-seven medical centers have established written smoking policies. Ninety-two facilities report that either their smoking policy committee or some other committee has made a recommendation to discontinue canteen tobacco sales.

Question: 39. Are canteen tobacco product sales inconsistent with a smoke free environment? Is smoking inconsistent with a smoke free environment?

Answer: Yes. Smoking is inconsistent with a smoke-free environment. Second hand smoke is harmful to people with heart disease and allergies and hospitals should protect their patients from it. Recognizing that some people are addicted to tobacco, many facilities make designated areas available to smokers. These should be engineered to contain the smoke so the remainder of the hospital is smoke-free. Most professional staff and many lay people feel that the sale of tobacco in a health care facility that is

committed to the prevention and treatment of disease is inconsistent with the goal of a smoke-free environment.

Question: 40. Has the Surgeon General formally or informally discussed, recommended, encouraged or proposed discontinuing the sale of tobacco products by the VCS or expressed an opinion on the sale of tobacco products by the Veterans' Canteen Service or within VA facilities?

Answer: Yes. In August, 1987, Dr. Koop wrote to the Administrator of Veterans Affairs to encourage the VA to join fully in the campaign to achieve a smoke-free society by the year 2000. In that letter he stated that "...a goal toward utimately eliminating the sale of cigarettes in these (VA) facilities, would be consistent with limiting smoking on the premises."

Question: 41. Are free cigarettes being provided to veterans in any VA facility?

Answer: The provision of free cigarettes is prohibited by VA policy except as a part of the indigent patient program.

ATTACHMENTS

Questions Submitted to Robert J. Mantica, Director, VCS by Congressman Lane Evans

3. Criteria for evaluating requests for discontinuance of sale of tobacco products.

4. List of 27 canteens pending consideration for cessation of the sale of tobacco products since 1986.

6. List of 44 canteens requesting cessation of the sale of tobacco products since 1986.

7g. Analysis of economic impact of ceasing tobacco products sales in VCS and on an individual canteen.

10. List of VAMC canteens which have been approved for cessation of the sale of tobacco products and relevant dates.

11. Anticipated savings from analysis of unprofitable hours of operation.

12. Total sales and net income with and without tobacco sales, FY 1987.

20a. Profitability ranking of VCS canteens by size (VCS Grade) (with an asterisk denoting twelve canteens which discontinued tobacco sales prior to FY 1987).

20b. Five year income and expense statements (FY 1983, FY 1987) for twelve canteens which discontinued tobacco sales prior to FY 1987.

23a. List of ten canteens which discontinued tobacco sales in FY 1987 or early FY 1988.

23b. Income and expense statements of 12/31/87 for ten canteens which discontinued tobacco sales in FY 1987 or early FY 1988.

25. Effect on FTEE in canteens authorized cessation of the sale of tobacco products.

27. List of VCS sell price of cigarettes compared to community prices.

28. Effect on sales, profits etc., in canteens authorized cessation of the sale of tobacco products.

32m. Title 38, Section 4201 - 4208 and 38 CFR 17.161.

33. DM&S Manual M-1, Part IV.

36. "Hospitals Getting Tougher on Smoking Issue," Physician Executive, Jan. - Feb. 1988, Volume 14, No. 1.

Attachment 3

CRITERIA

REQUESTS TO DISCONTINUE THE SALE OF TOBACCO PRODUCTS WILL BE CONSIDERED IN ACCORDANCE WITH THE FOLLOWING GUIDELINES:

A. MEDICAL CENTER CANTEENS WILL BE GRANTED APPROVAL IF THEY CAN:

I. GENERATE A NET PROFIT WITHOUT TOBACCO, IN ACCORDANCE WITH THE FOLLOWING SCHEDULE:

TOTAL ANNUAL SALES VOLUME	PROJECTED MINIMUM NET PROFIT
1,500,000 AND ABOVE	3% OF SALES
1,000,000 - 1,500,000	2% OF SALES
500,000 - 1,000,000	1% OF SALES
BELOW - 500,000	REVIEWED ON INDIVIDUAL BASIS

II. PROVIDE ADEQUATE SPACE AND LOCATION FOR VCS OPERATIONS, IN ACCORDANCE WITH VA SPACE CRITERIA.

III. CONTROL HOURS AND DAYS OF OPERATION CONSISTENT WITH EFFICIENT AND EFFECTIVE BUSINESS PRACTICES.

IV. CERTIFY THAT THEY HAVE RECEIVED SUPPORT FROM THE FOLLOWING GROUPS:

a. THE CLINICAL EXECUTIVE BOARD
b. VSO's
c. THE UNION
d. APPROPRIATE POLITICAL CONSTITUENCIES

B. CANTEENS WHICH DO NOT MEET THE CRITERIA SHOWN IN TABLE A WILL BE GRANTED APPROVAL ONLY UPON SUBMISSION (AND ACCEPTANCE) OF A POSITIVE ACTION PLAN WHICH, THROUGH INCREASED SALES AND/OR REDUCED EXPENSES, WILL ENABLE CANTEEN TO MEET THE CRITERIA.

C. MEDICAL CENTERS WHICH DO NOT SUBMIT AN ACCEPTABLE PLAN TO GENERATE THE REQUIRED NET PROFIT WILL NOT BE APPROVED.

Attachment 4

VA MEDICAL CENTER CANTEENS PENDING CONSIDERATION
FOR CESSATION OF THE SALE OF TOBACCO PRODUCTS SINCE 1986

Manchester, NH
Providence, RI
Shreveport, LA
Montgomery, AL
Lake City, FL
Brecksville, OH
Indianapolis, IN
Cleveland, OH
Allen Park, MI
Miami, FL
Fort Wayne, IN
St. Louis, MO
Iron Mountain, MI
Syracuse, NY
Martinez, CA
Philadelphia, PA
Tucson, AZ
Jackson, MS
Bay Pines, FL
Salt Lake City, UT
Long Beach, CA
Grand Island, NE
Brooklyn, NY
Houston, TX
Lebanon, PA
Spokane, WA
Oklahoma City, OK

Attachment 6

LIST OF VA MEDICAL CANTEENS REQUESTING
CESSATION OF THE SALE OF TOBACCO PRODUCTS SINCE 1986

APPROVED

Biloxi, MS
Boise, ID
Albany, NY
Amarillo, TX
Baltimore, MD
Charleston, SC
Denver, CO
Gainesville, FL
Madison, WI
Minneapolis, MN
San Diego, CA
Tampa, FL
Louisville, KY
Memphis, TN
Milwaukee, WI
Dayton, OH
(Brown Division)
Portland, OR

PENDING

Manchester, NH
Providence, RI
Shreveport, LA
Montgomery, AL
Lake City, FL
Brecksville, OH
Indianapolis, IN
Cleveland, OH
Allen Park, MI
Miami, FL
Fort Wayne, IN
St. Louis, MO
Iron Mountain, MI
Martinez, CA
Philadelphia, PA
Tucson, AZ
Jackson, MS
Bay Pines, FL
Salt Lake City, UT
Long Beach, CA
Grand Island, NE
Brooklyn, NY
Houston,TX
Lebanon, PA
Spokane, WA
Oklahoma City, OK
Syracuse, NY

Attachment 7g

ANALYSIS OF ECONOMIC IMPACT OF CEASING SALE
TOBACCO PRODUCTS IN VCS

FY 1987

	With Tobacco	Without Tobacco
TOTAL GROSS INCOME	$67,592,808	$60,268,764
OPERATING EXPENSES	63,972,545	63,972,545
NET INCOME	3,620,263	(3,703,781)*

* Negative Figure - Loss

EXAMPLE - INDIVIDUAL CANTEEN

ANALYSIS OF ECONOMIC IMPACT ON LEBANON, PA, CANTEEN
OF CEASING SALE OF TOBACCO PRODUCTS

FY 1987

Total Sales	$886,180
Net Income	(24,290)*
Tobacco Sales	142,072
Net Income without tobacco	(74,990)*
Minimum Income required by Criteria (1%)	8,862
Shortfall	(83,852)**

* Loss
** Action: Request plan to make up the shortfall

Attachment 10

LIST OF VA MEDICAL CENTER CANTEENS APPROVED FOR CESSATION OF THE SALE OF TOBACCO PRODUCTS

MEDICAL CENTER	DATE REQUEST RECEIVED	DATE REQUEST APPROVED	DATE OF DISCONTINUATION
Ann Arbor, MI			1969
Little Rock, AR			1969
Newington, CT			1969
Vancouver, WA			1969
Seattle, WA			1969
Chicago, IL (Westside)			1973
Iowa City, IA			1973
Atlanta, GA (Decatur)			1974
Loma Linda, CA			1977
Columbia, MO			1978
Boise, ID	09/18/85	06/19/86	10/01/86
Biloxi, MS (Biloxi Div. only)	07/18/86	10/27/86	11/01/86
Gainesville, FL	12/12/86	07/07/87	10/01/87
Denver, CO	12/19/86	07/17/87	10/01/87
Minneapolis, MN	08/27/86	10/16/86	04/01/87
Madison, WI	09/17/86	11/19/86	10/01/87
Tampa, FL	12/17/86	07/07/87	10/01/87
Charleston, SC	01/26/87	07/07/87	10/01/87
Albany, NY	01/29/87	07/07/87	09/01/87
Amarillo, TX	02/06/87	07/07/87	10/01/87
Portland, OR	02/25/87	07/07/87	01/24/88
Baltimore, MD	05/22/87	07/09/87	10/01/87
San Diego, CA	03/18/87	07/07/87	10/01/87
Louisville,KY	02/13/87	11/09/87	02/01/88
Memphis, TN	07/06/87	07/07/87	*
Dayton, OH (Brown Div. only)	02/24/87	10/15/87	12/01/87
Milwaukee, WI	08/19/87	11/25/87	01/01/88
Spokane, WA	10/21/87	02/01/88	02/23/88

*Not yet implemented

Attachment 11

ANTICIPATED SAVINGS FROM ANALYSIS OF UNPROFITABLE HOURS OF OPERATION

REGION	FTEE REDUCTION	$ ANNUAL SAVINGS
1	26.5	$ 375,000
2	21.5	271,000
3	18.0	298,000
4	17.0	233,000
5	12.5	156,000
6	21.5	305,000
7	11.5	189,000
	128.5	$1,827,000

TOTAL SALES AND NET INCOME WITH AND WITHOUT TOBACCO SALES
FY 1987

REGION	TOTAL SALES	NET INCOME (LOSS)	TOBACCO SALES	TOBACCO INCOME	TOTAL SALES LESS TOBACCO SALES	NET INCOME (LOSS) WITHOUT TOBACCO
1	$ 33,338,615	$1,230,396	$ 4,050,843	$1,692,250	$29,287,772	$(461,854)
2	30,693,374	558,763	3,556,447	1,187,848	27,136,927	(629,085)
3	26,362,419	943,720	2,900,639	928,381	23,461,780	15,339
4	25,294,100	382,478	2,976,252	1,085,480	22,317,848	(703,002)
5	20,067,550	(91,653)	2,198,144	810,621	17,869,406	(902,274)
6	24,758,062	102,265	1,874,262	692,070	22,883,800	(589,805)
7	22,758,241	494,294	2,680,936	927,394	20,077,305	(433,100)
TOTAL VCS	$183,272,361	$3,620,263	$20,237,523	$7,324,044	$163,034,838	$(3,703,781)

EXHIBIT A

TOTAL SALES AND NET INCOME WITH AND WITHOUT TOBACCO SALES
FY 1987

		Total Sales	Net Income (Loss)	Tobacco Sales	Tobacco Income	Total Sales Less Tobacco Sales	Net Income (Loss) Without Tobacco
402	Togus, ME	$ 1,012,496	$ 48,598	$ 144,700	$ 59,842	$ 867,796	$(11,244)
405	Wh River JCT, VT	752,192	43,955	55,105	19,952	697,087	24,003
500	Albany, NY	1,814,507	134,434	201,977	76,114	1,612,530	58,320
513	Batavia, NY	380,213	4,766	47,338	18,428	332,875	(13,662)
514	Bath, NY	1,075,469	18,108	233,534	92,207	841,935	(74,099)
518	Bedford, MA	1,197,138	35,913	236,261	97,605	960,877	(61,692)
523	Boston, MA	1,696,010	119,286	198,045	84,194	1,497,965	35,092
525	Brockton, MA	1,164,938	43,524	250,741	106,037	914,197	(62,513)
526	Bronx, NY	2,304,134	82,020	201,718	88,151	2,102,416	(6,131)
527	Brooklyn, NY	2,365,204	54,148	213,841	92,879	2,151,363	(38,731)
528	Buffalo, NY	1,918,991	62,922	228,021	88,677	1,690,970	(25,755)
532	Canandalgua, NY	1,088,889	42,519	204,386	82,876	884,503	(40,357)
533	Castle Point, NY	734,709	12,036	82,484	33,925	652,225	(21,889)
608	Manchester, NY	550,016	6,420	50,663	16,596	499,353	(10,176)
620	Montrose, NY	1,598,262	61,148	360,687	144,577	1,237,575	(83,429)
627	Newington, CT	462,129	(6,119)	-0-	-0-	462,129	(6,119)
630	New York, NY	1,924,232	28,839	185,110	80,211	1,739,122	(51,372)
631	Northhamton, MA	930,638	(7,902)	174,464	72,699	756,174	(80,601)
632	Northport, NY	2,244,584	94,930	239,655	95,578	2,004,929	(648)
650	Providence, RI	835,330	8,303	95,815	36,018	739,515	(27,715)
670	Syracuse, NY	1,102,021	74,421	108,558	43,412	993,463	31,009
689	West Haven, CT	1,355,365	54,387	240,525	105,349	1,114,840	(50,962)
690	W. Roxbury, MA	564,359	6,676	59,850	27,051	504,509	(20,375)
725	St. Albans, NY	685,531	(37,786)	87,941	36,768	597,590	(74,554)
455	San Juan, PR	3,581,258	244,850	149,424	93,104	3,431,834	151,746
	REGION I TOTALS	33,338,615	$1,230,396	$4,050,843	$1,692,250	$29,287,772	$(461,854)

REGION 2

TOTAL SALES AND NET INCOME WITH AND WITHOUT TOBACCO SALES
FY 1987

		Total Sales	Net Income (Loss)	Tobacco Sales	Tobacco Income	Total Sales Less Tobacco Sales	Net Income (Loss) Without Tobacco
160	Wilmington, DL	$ 580,843	$(20,557)	$ 45,324	$ 15,043	$ 535,519	$(35,600)
503	Altoona, PA	336,006	(25,555)	29,185	10,781	306,821	(36,336)
512	Baltimore, MD	658,787	30,150	39,930	14,585	618,857	15,565
517	Beckley, WV	475,471	(804)	50,826	19,211	424,645	(20,015)
529	Butler, PA	495,117	(33,006)	64,199	21,936	430,918	(54,942)
540	Clarksburg, WV	484,023	(8,860)	44,232	16,209	439,791	(25,069)
542	Coatesville, PA	1,699,613	75,093	300,971	120,817	1,398,642	(45,724)
558	Durham, NC	1,520,277	65,088	93,879	16,245	1,426,398	48,843
561	East Orange, NJ	1,666,594	(70,823)	189,389	80,214	1,477,205	(151,037)
562	Erie, PA	340,992	(27,421)	31,459	11,482	309,533	(38,903)
565	Fayetteville, NC	670,689	14,949	50,066	10,069	620,623	4,880
566	Ft. Howard, MD	466,247	(2,083)	33,227	12,010	433,020	(14,093)
581	Huntington, WV	642,664	1,090	36,177	14,814	606,487	(13,724)
590	Hampton, VA	993,414	46,614	114,215	38,289	879,199	8,325
595	Lebanon, PA	886,180	(24,290)	142,072	50,700	744,108	(74,990)
604	Lyons, NJ	1,526,821	38,104	332,160	132,132	1,194,661	(94,028)
613	Martinsburg, WV	1,702,701	133,307	231,324	77,181	1,471,377	56,126
621	Mt. Home, TN	1,229,466	(11,445)	211,887	64,176	1,017,579	(75,621)
637	Asheville, NC	1,213,034	26,557	78,069	14,931	1,134,965	11,626
641	Perry Point, MD	1,352,578	27,800	199,113	70,970	1,153,465	(43,170)
642	Philadelphia, PA	1,014,633	(63,245)	75,425	32,941	939,208	(96,186)
645	Pittsburgh (HD), PA	1,064,036	(16,828)	184,157	69,115	879,879	(85,943)
646	Pittsburgh (UD), PA	1,539,180	7,945	156,269	53,909	1,382,911	(45,964)
652	Richmond, VA	2,741,129	227,190	167,787	39,659	2,573,342	187,531
658	Salem, VA	1,429,325	25,040	145,306	33,358	1,284,019	(8,318)
659	Salisbury, NC	1,056,147	25,712	169,797	29,549	886,350	(3,837)
688	Washington, DC	1,969,125	92,392	192,819	66,427	1,776,306	25,965
693	Wilkes-Barre, PA	938,282	26,649	147,183	51,095	791,099	(24,446)
	REGION 2 TOTALS	$30,693,374	$ 558,763	$3,556,447	$1,187,848	$27,136,927	$(629,085)

REGION 3

TOTAL SALES AND NET INCOME WITH AND WITHOUT TOBACCO SALES
FY 1987

	Total Sales	Net Income (Loss)	Tobacco Sales	Tobacco Income	Total Sales Less Tobacco Sales	Net Income (Loss) Without Tobacco
508 Decatur, GA	$ 1,241,602	$ 230	$ -0-	$ -0-	$ 1,241,602	$ 230
509 Augusta, GA	710,300	(3,592)	139,083	40,388	571,217	(43,980)
516 Bay Pines, FL	1,520,822	90,852	210,351	74,407	1,310,471	16,445
520 Biloxi, MS	1,294,318	(34,883)	172,081	50,247	1,122,237	(85,130)
521 Birmingham, AL	1,311,311	61,036	164,842	56,339	1,146,469	4,697
534 Charleston, SC	1,055,764	82,479	67,352	17,853	988,412	64,626
544 Columbia, SC	990,823	37,884	69,846	19,496	920,977	18,388
546 Miami, FL	2,057,610	85,089	207,499	74,319	1,850,111	10,770
557 Dublin, GA	812,887	(8,520)	103,731	29,242	709,156	(37,762)
573 Gainesville, FL	1,663,412	118,343	166,729	58,564	1,496,683	59,779
586 Jackson, MS	1,480,498	51,459	189,032	58,966	1,291,466	(7,507)
594 Lake City, FL	606,746	3,574	85,327	30,014	521,419	(26,440)
596 Lexington, KY	1,464,291	257	150,109	44,203	1,314,182	(43,946)
603 Louisville, KY	867,498	41,682	46,709	12,410	820,789	29,272
614 Memphis, TN	2,143,991	145,133	240,015	70,249	1,903,976	74,884
619 Montgomery, AL	340,050	(11,885)	24,449	8,563	315,601	(20,448)
622 Murfreesboro, TN	860,942	39,994	168,713	52,571	692,229	(12,577)
626 Nashville, TN	1,231,585	95,990	119,974	36,365	1,111,611	59,625
673 Tampa, FL	1,692,220	97,302	147,951	52,277	1,544,269	45,025
679 Tuscaloosa, AL	954,394	17,634	170,978	61,495	783,416	(43,861)
680 Tuskegee, AL	969,025	4,201	175,992	59,031	793,033	(54,830)
905 Augusta, GA	1,092,330	29,461	79,876	21,382	1,012,454	8,079
REGION 3 TOTALS	$26,362,419	$ 943,720	$2,900,639	$928,381	$23,461,780	$ 15,339

REGION 4

TOTAL SALES AND NET INCOME WITH AND WITHOUT TOBACCO SALES
FY 1987

		Total Sales	Net Income (Loss)	Tobacco Sales	Tobacco Income	Total Sales Less Tobacco Sales	Net Income (Loss) Without Tobacco
506	Ann Arbor, MI	$ 866,518	$ 35,644	$ 1,350	$ 121	$ 865,168	$ 35,523
515	Battle Creek, MI	1,219,443	25,811	287,850	102,535	931,593	(76,724)
524	Brecksville, OH	908,335	(54,221)	138,453	42,417	769,882	(96,638)
535	Chicago LS, IL	1,132,501	(26,254)	81,951	45,269	1,050,550	(71,523)
537	Chicago WS, IL	1,423,622	(95,461)	3,082	556	1,420,540	(96,017)
538	Chillicothe, OH	1,134,350	26,075	209,621	64,238	924,729	(38,163)
539	Cincinnati, OH	1,090,134	28,303	104,624	34,909	985,510	(6,606)
541	Cleveland, OH	1,541,534	31,798	152,717	50,760	1,388,817	(18,962)
550	Danville, IL	1,073,912	60,317	178,590	62,072	895,322	(1,755)
552	Dayton, OH	1,809,112	95,855	276,963	89,551	1,532,149	6,304
553	Allen Park, MI	1,288,066	(25,218)	145,817	50,105	1,142,249	(75,323)
556	N. Chicago, IL	1,479,439	59,394	270,539	96,739	1,208,900	(37,345)
569	Ft. Wayne, IN	320,572	(23,050)	26,883	8,034	293,689	(31,084)
578	Hines, IL	3,163,864	155,965	328,628	139,679	2,835,236	16,286
583	Indianapolis, IN	1,165,702	3,356	109,488	34,589	1,056,214	(31,233)
585	Iron Mt., MI	341,455	(5,438)	22,944	9,531	318,511	(14,969)
607	Madison, WI	857,346	(16,283)	22,679	9,770	834,667	(26,053)
610	Marion, IN	826,805	(14,516)	148,195	45,192	678,610	(59,708)
655	Saginaw, MI	347,117	(14,692)	39,610	17,426	307,507	(32,118)
676	Tomah, WI	790,269	(5,670)	164,760	68,670	625,509	(74,340)
695	Milwaukee, WI	2,514,004	140,763	261,508	113,317	2,252,496	27,446
	REGION 4 TOTALS	$25,294,100	$ 382,478	$2,976,252	$1,085,480	$22,317,848	$(703,002)

REGION 5

TOTAL SALES AND NET INCOME WITH AND WITHOUT TOBACCO SALES
FY 1987

	Total Sales	Net Income (Loss)	Tobacco Sales	Tobacco Income	Total Sales Less Tobacco Sales	Net Income (Loss) Without Tobacco
436 Fort Harrison, MT	$ 300,091	$(35,381)	$ 35,172	$ 12,886	$ 264,919	$(48,267)
437 Fargo, ND	446,319	(10,430)	44,604	17,547	401,715	(27,977)
438 Sioux Falls, SD	540,304	(14,782)	48,008	18,959	492,296	(33,741)
442 Cheyenne, WY	223,982	(32,400)	18,315	4,917	205,667	(37,317)
452 Wichita, KS	443,114	(30,103)	39,265	13,022	403,849	(43,125)
543 Columbia, MO	1,244,641	41,098	392	104	1,244,249	40,994
554 Denver, CO	1,058,599	59,109	82,477	30,239	976,122	28,870
555 Des Moines, IA	584,412	116	53,909	22,955	530,503	(22,839)
567 Fort Lyon, CO	774,081	15,393	146,237	51,582	627,844	(36,189)
568 Ft. Meade, SD	575,678	1,634	92,383	41,623	483,295	(39,989)
574 Grand Island, NE	278,904	(36,303)	25,453	10,151	253,451	(46,454)
575 Grand Junction, CO	285,966	(32,927)	16,703	6,171	269,263	(39,098)
579 Hot Springs, SD	649,730	10,028	124,311	47,791	525,419	(37,763)
584 Iowa City, IA	770,450	23,138	5,860	2,585	764,590	20,553
587 St. Louis, MO (JB)	930,531	116,702	102,812	30,431	827,719	86,271
589 Kansas City, MO	1,132,813	10,603	103,691	28,918	1,029,122	(18,315)
592 Knoxville, IA	753,193	(2,899)	181,506	76,967	571,687	(79,866)
597 Lincoln, NE	334,698	(23,139)	34,468	14,489	300,230	(37,628)
617 Miles City, MT	131,133	(31,068)	12,887	4,737	118,246	(35,805)
618 Minneapolis, MN	1,925,525	33,183	60,075	26,284	1,865,450	6,899
636 Omaha, NE	814,966	20,757	70,298	28,786	744,668	(8,029)
647 Poplar Bluff, MO	376,246	(22,050)	27,658	9,423	348,588	(31,473)
656 St. Cloud, MN	820,903	(28,624)	155,746	63,228	665,157	(91,852)
660 Salt Lake City, UT	790,702	(17,555)	63,822	22,383	726,880	(39,938)
666 Sheridan, WY	402,873	(27,078)	69,726	24,462	333,147	(51,540)
677 Topeka, KS	1,117,558	40,745	187,915	65,483	929,643	(24,738)
686 Leavenworth, KS	1,073,437	(10,647)	240,896	82,709	832,541	(93,356)
657 St. Louis, MO (JC)	907,380	(101,544)	116,689	40,071	790,691	(141,615)
609 Marion, IL	379,321	(7,229)	36,866	11,718	342,455	(18,947)
REGION 5 TOTALS	$20,067,550	$(91,653)	$2,198,144	$810,621	$17,869,406	$(902,274)

REGION 6

TOTAL SALES AND NET INCOME WITH AND WITHOUT TOBACCO SALES
FY 1987

		Total Sales	Net Income (Loss)	Tobacco Sales	Tobacco Income	Total Sales Less Tobacco Sales	Net Income (Loss) Without Tobacco
064	Palo Alto, CA	$ 1,341,953	$ 5,101	$ 124,657	$ 38,792	$ 1,217,296	$(33,691)
196	W. Los Angeles, CA	2,389,596	60,831	168,616	60,628	2,220,980	203
505	Tacoma, WA	773,693	(10,929)	107,110	49,082	666,583	(60,011)
530	Brentwood, CA	840,769	4,259	139,115	50,568	701,654	(46,309)
531	Boise, ID	402,583	14,824	-0-	-0-	402,583	14,824
570	Fresno, CA	815,906	13,548	45,682	17,421	770,224	(3,873)
599	Livermore, CA	444,493	(17,581)	25,841	9,974	418,652	(27,555)
600	Long Beach, CA	2,776,272	106,203	182,693	67,779	2,593,579	38,424
605	Loma Linda, CA	1,388,281	46,597	-0-	-0-	1,388,281	46,597
612	Martinez, CA	1,385,471	29,389	60,765	22,432	1,324,706	6,957
640	Menlo Park, CA	872,438	15,354	158,147	55,315	714,291	(39,961)
648	Portland, OR	970,841	(34,783)	48,476	21,107	922,365	(55,890)
653	Roseburg, OR	473,495	(16,516)	76,073	27,113	397,422	(43,629)
654	Reno, NV	506,431	(16,097)	38,158	15,899	468,273	(31,996)
662	San Fran., CA	1,578,630	(71,146)	86,027	28,291	1,492,603	(99,437)
663	Seattle, WA	1,628,432	(50,997)	1,007	240	1,627,425	(51,237)
664	San Diego, CA	2,104,602	107,754	95,768	35,109	2,008,834	72,645
665	Sepulveda, CA	1,291,736	(14,916)	110,454	39,338	1,181,282	(54,254)
668	Spokane, WA	439,802	(9,366)	56,349	23,957	383,453	(33,323)
683	Vancouver, WA	318,813	(41,658)	830	217	317,983	(41,875)
687	Walla Walla, WA	250,588	(37,032)	33,395	14,670	217,193	(51,702)
691	W. Los Angeles, CA	840,352	2,568	84,418	37,017	755,934	(34,449)
692	White City, OR	922,885	16,858	230,681	77,121	692,204	(60,263)
	REGION 6 TOTALS	$24,758,062	$ 102,265	$1,874,262	$ 2,070	$22,883,800	$(589,805)

REGION 7

TOTAL SALES AND NET INCOME WITH AND WITHOUT TOBACCO SALES
FY 1987

		Total Sales	Net Income (Loss)	Tobacco Sales	Tobacco Income	Total Sales Less Tobacco Sales	Net Income (Loss) Without Tobacco
501	Albuquerque, NM	$ 1,094,931	$ 41,610	$ 77,470	$ 27,931	$ 1,017,461	$ 13,679
502	Alexandria, LA	632,083	47,843	72,253	26,866	559,830	20,977
504	Amarillo, TX	287,290	(42,149)	19,528	7,300	267,762	(49,449)
519	Big Spring, TX	330,526	(1,829)	41,909	16,268	288,617	(18,097)
522	Bonham, TX	399,813	(12,330)	99,099	32,467	300,714	(44,797)
549	Dallas, TX	1,957,962	72,108	228,363	78,679	1,729,599	(6,571)
564	Fayetteville, AR	347,901	(6,471)	35,510	13,003	312,391	(19,474)
580	Houston, TX	2,516,614	84,891	326,435	110,957	2,190,179	(26,066)
591	Kerrville, TX	576,798	(1,457)	63,368	24,421	513,430	(25,878)
598	Little Rock, AR	1,723,785	112,474	-0-	-0-	1,723,785	112,474
611	Marlin, TX	281,175	(14,704)	37,043	12,620	244,132	(27,324)
623	Muskogee, OK	467,790	(10,634)	62,022	19,869	405,768	(30,503)
629	New Orleans, LA	1,222,549	(91,875)	223,969	81,606	998,580	(173,481)
635	Oklahoma City, OK	1,173,465	53,401	157,327	45,314	1,016,138	8,087
644	Phoenix, AZ	1,225,274	51,856	125,296	39,394	1,099,978	12,462
649	Prescott, AZ	469,865	(57,364)	74,111	24,045	395,754	(81,409)
667	Shreveport, LA	926,805	17,057	106,783	38,040	820,022	(20,983)
671	San Antonio TX	1,984,544	139,185	160,001	56,435	1,824,543	82,750
674	Temple, TX	1,659,438	97,353	254,029	91,907	1,405,409	5,446
678	Tucson, AZ	725,149	(11,951)	46,275	17,807	678,874	(29,758)
685	Waco, TX	1,088,853	14,471	239,820	83,924	849,033	(69,453)
895	N. Little Rock, AR	1,665,631	12,809	230,325	78,541	1,435,306	(65,732)
	REGION 7 TOTALS	$22,758,241	$ 494,294	$2,680,936	$927,394	$20,077,305	$(433,100)

Attachment 20a

VCS GRADE - 12 CANTEENS
NET INCOME (LOSS) FY 1983 - FY 1987

	CANTEEN		TOTAL SALES FY 1987	FIVE YR. AVERAGE NET INCOME (LOSS)		NET INCOME (LOSS) FY 1987		MOST PROFITABLE YR () DENOTES LOSS	
1.	513	Batavia	$380,213	$(256)	(0.1)%	$ 4,766	1.3 %	$ 4,766	FY 198
2.	522	Bonham	399,813	(1,141)	(0.3)	(12,330)	(3.1)	8,193	FY 198
3.	585	Iron Mt.	341,455	(6,063)	(1.7)	(5,438)	(1.6)	(4,093)	FY 198
4.	564	Fayetteville, AR	347,901	(11,529)	(3.4)	(6,471)	(1.9)	(2,584)	FY 198
5.	609	Marion, IL	379,321	(12,952)	(3.6)	(7,229)	(1.9)	1,862	FY 198
6.	655	Saginaw	347,117	(13,104)	(4.0)	(14,693)	(4.2)	(4,174)	FY 198
7.	503	Altoona	336,006	(17,713)	(5.8)	(25,555)	(7.6)	(13,302)	FY 198
8.	519	Big Spring	330,526	(20,187)	(6.1)	(1,829)	(0.6)	(1,829)	FY 198
9.	619	Montgomery	340,050	(22,077)	(6.7)	(11,885)	(3.5)	(11,885)	FY 198
0.	611	Marlin	281,175	(22,996)	(8.5)	(14,704)	(5.2)	(14,704)	FY 19
1.	597	Lincoln	334,698	(23,344)	(7.4)	(23,139)	(6.9)	(19,312)	FY 19
2.	569	Ft. Wayne	320,572	(23,444)	(7.2)	(23,050)	(7.2)	(20,489)	FY 19
3.	562	Erie	340,992	(24,970)	(7.9)	(27,421)	(8.0)	(13,944)	FY 19
4.	436	Ft. Harrison	300,091	(25,931)	(8.4)	(35,381)	(11.8)	(18,826)	FY 19
5.	504	Amarillo	287,290	(26,356)	(9.3)	(42,149)	(14.7)	(17,122)	FY 19
6.	666	Sheridan	402,873	(26,603)	(6.4)	(27,078)	(6.7)	(17,950)	FY 19
7.	647	Poplar Bluff	376,246	(27,008)	(7.4)	(22,050)	(5.9)	(22,050)	FY 19
8.	442	Cheyenne	223,982	(32,442)	(14.8)	(32,400)	(14.5)	(29,912)	FY 19
9.	575	Grand Junction	285,966	(33,477)	(12.6)	(32,927)	(11.5)	(29,877)	FY 19
0.	687	Walla Walla	250,588	(35,302)	(13.5)	(37,032)	(14.8)	(29,658)	FY 19
1.	574	Grand Island	278,904	(35,641)	(13.2)	(36,303)	(13.0)	(27,770)	FY 19
2.	452	Wichita	443,114	(35,689)	(8.9)	(30,103)	(6.8)	(27,104)	FY 19
3.	617	Miles City	131,133	(37,478)	(25.5)	(31,068)	(23.7)	(31,068)	FY 19

VCS GRADE - 13 CANTEENS
NET INCOME (LOSS) FY 1983 - FY 1987

	CANTEEN		TOTAL SALES FY 1987	FIVE YR. AVERAGE NET INCOME (LOSS)		NET INCOME (LOSS) FY 1987		MOST PROFITABLE YE () DENOTES LOSS	
1.	405	White River Jct.	$752,192	$ 19,782	3.0 %	$ 43,956	5.8 %	$43,956	FY 198
2.	502	Alexandria	632,083	19,408	3.3	47,843	7.6	47,843	FY 198
3.	512	Baltimore	658,787	18,106	2.8	30,150	4.6	30,150	FY 198
4.*	531	Boise	402,583	7,029	1.7	14,824	3.7	20,254	FY 19
5.	608	Manchester	550,016	4,080	0.8	6,420	1.2	18,937	FY 19
6.	591	Kerrville	576,798	278	0.1	(1,457)	(0.3)	18,257	FY 19
7.	438	Sioux Falls	540,304	148	0.0	(14,782)	(2.7)	6,638	FY 19
8.	594	Lake City	606,746	56	0.0	3,574	0.6	7,836	FY 19
9.	517	Beckley	475,471	(1,589)	(0.3)	(804)	(0.2)	4,856	FY 19
0.	437	Fargo	446,319	(3,723)	(0.8)	(10,430)	(2.3)	13,612	FY 19
1.	568	Ft. Meade	575,678	(5,831)	(1.0)	1,634	0.3	12,398	FY 19
2.*	627	Newington	462,129	(6,799)	(1.5)	(6,119)	(1.3)	2,516	FY 19
3.	566	Ft. Howard	466,247	(6,951)	(1.6)	(2,083)	(0.4)	(2,083)	FY 19
4.	654	Reno	506,431	(8,654)	(1.7)	(16,097)	(3.2)	11,691	FY 19
5.	460	Wilmington	580,843	(8,770)	(1.5)	(20,557)	(3.5)	284	FY 19
6.	540	Clarksburg	484,023	(8,958)	(1.8)	(8,860)	(1.8)	3,118	FY 19
7.	623	Muskogee	467,790	(10,353)	(2.3)	(10,634)	(2.3)	(3,312)	FY 19
8.	668	Spokane	439,802	(11,692)	(2.8)	(9,366)	(2.1)	(4,189)	FY 19
9.	509	Augusta, UT	710,300	(13,814)	(2.0)	(3,592)	(0.5)	(3,592)	FY 19
0.	599	Livermore	444,493	(14,531)	(3.3)	(17,581)	(4.0)	(3,473)	FY 19
1.	653	Roseburg	473,495	(20,360)	(4.3)	(16,516)	(3.5)	(12,746)	FY 19
2.	529	Butler	495,117	(34,120)	(7.1)	(33,006)	(6.7)	(29,501)	FY 19
3.	649	Prescott	469,865	(43,519)	(8.7)	(57,364)	(12.2)	(28,156)	FY 19

* = Canteens Authorized to Discontinue Sale of Tobacco Products Prior to FY 1987.

CANTEEN	YEAR DISCONTINUED
#627 Newington	1969
#531 Boise	1986

VCS GRADE - 14 CANTEENS
NET INCOME (LOSS) FY 1983 - FY 1987

	CANTEEN		TOTAL SALES FY 1987	FIVE YR. AVERAGE NET INCOME (LOSS)		NET INCOME (LOSS) FY 1987		MOST PROFITABLE YR () DENOTES LOSS	
1.	626	Nashville	$1,231,585	$79,627	7.0%	$ 95,990	7.8%	$107,309	FY 198
2.	670	Syracuse	1,102,021	67,043	6.1	74,421	6.8	86,836	FY 198
3.	590	Hampton	993,414	56,490	5.5	46,614	4.7	74,073	FY 198
4.	515	Battle Creek	1,219,443	50,957	4.1	25,811	2.1	7,5344	FY 198
5.	644	Phoenix	1,225,274	48,771	4.1	51,856	4.2	62,162	FY 198
6.*	506	Ann Arbor	866,518	43,294	5.2	35,644	4.1	57,474	FY 198
7.	518	Bedford	1,197,138	35,701	3.0	35,913	3.0	46,861	FY 198
8.	693	Wilkes-Barre	938,282	35,237	3.7	26,649	2.8	52,291	FY 19
9.	554	Denver	1,058,599	31,775	3.3	59,109	5.6	59,109	FY 19
0.	677	Topeka	1,117,558	30,683	2.7	40,745	3.6	43,502	FY 19
1.	635	Oklahoma City	1,173,465	30,583	2.8	53,401	4.6	73,895	FY 19
2.	534	Charleston	1,055,764	29,855	3.2	87,479	7.8	82,479	FY 19
3.	544	Columbia, SC	990,823	28,841	3.0	37,884	3.8	41,660	FY 19
4.	667	Shreveport	926,805	27,703	3.0	17,057	1.8	38,450	FY 19
5.	532	Canandaigua	1,088,889	27,103	2.4	42,519	3.9	42,519	FY 19
6.	905	Augustam DT	1,092,330	25,956	2.5	29,461	2.7	40,063	FY 19
7.	603	Louisville	867,498	24,697	3.0	41,682	4.8	41,682	FY 19
8.	685	Waco	1,088,853	23,805	2.1	14,471	1.3	32,122	FY 19
9.	659	Salisbury	1,056,147	21,646	2.1	25,712	2.4	25,712	FY 19
0.	501	Albuquerque	1,094,931	21,588	2.2	41,610	3.8	41,610	FY 19
1.	631	Northampton	930,638	20,778	2.1	(7,902)	(0.8)	38,919	FY 19
2.	581	Huntington	642,664	20,102	3.1	1,090	0.2	35,250	FY 19
3.	592	Knoxville	753,193	20,006	2.5	(2,899)	(0.4)	47,512	FY 19
4.	550	Danville	1,073,912	19,693	1.9	60,317	5.6	60,317	FY 19
5.	676	Tomah	790,269	17,471	1.9	(5,670)	(0.7)	37,985	FY 19
6.	650	Providence	835,330	13,115	1.6	8,303	1.0	20,397	FY 19
7.	533	Castle Point	734,709	12,766	1.9	12,036	1.6	19,120	FY 19
8.	402	Togus	1,012,496	12,612	1.3	48,598	4.8	48,598	FY 19
9.	690	W. Roxbury	564,359	12,168	2.0	6,676	1.2	21,854	FY 1
	[illegible]	Lebanon	886,180	11,186	1.2	(24,290)	(2.7)	39,169	FY 1
	[illegible]	Chillicothe	1,134,350	11,140	1.0	26,075	2.3	26,075	FY
2.	636	Omaha	814,966	11,019	1.5	20,757	2.5	20,757	FY 1
3.*	584	Iowa City	770,450	10,774	1.3	23,134	3.0	23,134	FY 1
4.	555	Des Moines	584,412	10,435	1.6	116	0.0	29,348	FY 1
5.	579	Hot Springs	649,730	9,499	1.4	10,028	1.5	21,778	FY 1
6.	622	Murfreesboro	860,942	7,258	0.9	39,994	4.6	39,994	FY 1
7.	679	Tuscaloosa	954,394	6,122	0.1	17,634	1.8	17,634	FY 1
8.	680	Tuskegee	969,025	5,203	0.5	4,201	0.4	15,799	FY 1
9.	565	Fayeteville, NC	670,689	3,504	0.5	14,949	2.2	14,949	FY 1
0.	535	Chicago LS	1,132,501	3,332	0.3	(26,254)	(2.3)	29,332	FY 1
1.	530	Brentwood	840,769	2,672	0.3	4,259	0.5	8,234	FY 1
2.	686	Leavenworth	1,073,437	2,559	0.2	(10,647)	(1.0)	13,112	FY 1
3.	567	Ft. Lyon	774,081	1,466	0.2	15,393	2.0	15,393	FY 1

* = Canteens Authorized to Discontinue Sale of Tobacco Products Prior to FY 1987.

CANTEEN	YEAR DISCONTINUED
#506 Ann Arbor	1969
#584 Iowa City	1973

VCS GRADE - 14 CANTEENS
NET INCOME (LOSS) FY 1983 - FY 1987 CONT.

	CANTEEN		TOTAL SALES FY 1987	FIVE YR. AVERAGE NET INCOME (LOSS)		NET INCOME (LOSS) FY 1987		MOST PROFITABLE YR. () DENOTES LOSS	
4.	539	Cincinnati	$1,090,134	$(1,355)	(0.1)%	$ 28,303	2.6	$ 54,767	FY 198
5.	589	Kansas City	1,132,813	(1,640)	(0.2)	10,603	0.9	30,891	FY 198
6.	557	Dublin	812,887	(6,293)	(0.7)	(8,520)	(1.0)	7,090	FY 198
7.	660	Salt Lake City	790,702	(7,769)	(1.0)	(17,555)	(2.2)	3,159	FY 198
8.	607	Madison	857,346	(10,705)	(1.2)	(16,283)	(1.9)	43,308	FY 198
9.	524	Brecksville	908,335	(11,564)	(1.1)	(54,221)	(6.0)	17,057	FY 198
0.	570	Fresno	815,906	(12,320)	(1.6)	13,548	1.7	13,548	FY 198
1.	692	White City	922,885	(13,131)	(1.5)	16,858	1.8	16,858	FY 198
2.	640	Menlo Park	872,438	(15,543)	(1.9)	15,354	1.8	15,354	FY 198
3.	645	Pittsburgh (PSY.)	1,064,036	(18,554)	(1.8)	(16,828)	(1.6)	5,824	FY 198
4.	505	Tacoma	773,693	(19,734)	(2.4)	(10,929)	(1.4)	9,026	FY 198
5.	678	Tucson	725,149	(21,499)	(3.1)	(11,951)	(1.6)	(8,318)	FY 198
6.	691	Los Angeles	840,352	(33,993)	(4.3)	2,568	0.3	2,568	FY 198
7.	610	Marion, IN	826,805	(36,968)	(4.7)	(14,516)	(1.8)	(14,516)	FY 198
8.	725	St. Albans	685,531	(38,319)	(6.0)	(37,786)	(5.5)	(14,826)	FY 198
9.	656	St. Cloud	820,903	(44,025)	(5.1)	(28,624)	(3.5)	(6,340)	FY 198

VCS GRADE - 15 CANTEENS
NET INCOME (LOSS) FY 1983 - FY 1987

	CANTEEN		TOTAL SALES FY 1987	FIVE YR. AVERAGE NET INCOME (LOSS)		NET INCOME (LOSS) FY 1987		MOST PROFITABLE YR. () DENOTES LOSS	
1.	500	Albany	$1,814,507	$ 130,587	7.3 %	$ 134,434	7.4 %	$ 161,217	FY 1986
2.	671	San Antonio	1,984,544	124,412	6.6	139,185	7.0	139,185	FY 1987
3.	573	Gainesville	1,663,412	117,171	7.2	128,343	7.1	136,426	FY 1986
4.	673	Tampa	1,692,220	112,268	6.7	97,302	5.7	135,239	FY 1985
5.	613	Martinsburg	1,702,701	98,995	6.3	133,307	7.8	133,307	FY 1987
6.	674	Temple	1,659,438	97,609	6.0	97,353	5.9	112,731	FY 1986
7.	689	West Haven	1,355,365	84,470	5.4	54,387	4.0	117,073	FY 1984
8.	549	Dallas	1,957,962	81,201	4.4	72,108	3.7	105,740	FY 1986
9.	516	Bay Pines	1,520,822	80,822	5.6	90,852	6.0	125,424	FY 1985
10.	586	Jackson	1,480,498	74,817	4.9	51,459	3.5	91,095	FY 1983
11.	542	Coatesville	1,699,613	70,898	4.2	75,093	4.4	85,503	FY 1986
12.	521	Birmingham	1,311,311	64,818	4.7	61,036	4.7	87,415	FY 1983
13.*	605	Loma Linda	1,388,281	63,047	4.7	46,597	3.4	75,989	FY 1985
14.*	598	Little Rock	1,723,785	61,259	4.2	112,474	6.5	116,227	FY 1986
15.	604	Lyons	1,526,821	59,554	3.7	38,104	2.5	78,214	FY 1985
16.	620	Montrose	1,598,262	56,623	3.5	61,148	3.8	86,469	FY 1984
17.	895	N. Little Rock	1,665,631	56,109	3.4	12,809	0.8	102,190	FY 1985
18.	558	Durham	1,520,277	48,602	3.4	65,088	4.3	86,124	FY 1986
19.	641	Perry Point	1,352,578	48,218	3.5	27,800	2.1	61,328	FY 1984
20.	541	Cleveland	1,541,534	45,864	2.9	31,798	2.1	83,850	FY 1985
21.*	543	Columbia, MO	1,244,641	41,730	3.4	41,098	3.3	48,171	FY 1984
22.	556	North Chicago	1,479,439	37,808	2.5	59,394	4.0	59,394	FY 1987
23.	658	Salem	1,429,325	30,018	2.2	25,040	1.8	48,691	FY 1985
24.	637	Asheville	1,213,034	25,431	2.1	26,557	2.2	38,714	FY 1986
25.*	508	Decatur	1,241,602	22,388	1.9	230	0.0	49,938	FY 1986
26.	514	Bath	1,075,469	20,992	2.0	18,108	1.7	35,545	FY 1985
27.	525	Brockton	1,164,936	19,709	1.7	43,524	3.7	43,524	FY 1987
28.	553	Allen Park	1,288,066	15,730	1.1	(25,218)	(2.0)	54,416	FY 1983
29.*	520	Biloxi	1,294,318	14,801	1.0	(34,883)	(2.7)	55,185	FY 1983
30.	064	Palo Alto	1,341,953	9,120	0.7	5,101	0.4	35,101	FY 1983
31.	621	Mountain Home	1,229,466	2,844	0.2	(11,445)	(0.9)	31,327	FY 1983
32.	665	Sepulveda	1,291,736	(1,557)	(0.1)	(14,916)	(1.2)	20,910	FY 1984
33.	583	Indianapolis	1,165,702	(5,586)	(0.5)	3,356	0.3	8,411	FY 1983
34.	612	Martinez	1,385,471	(10,364)	(0.8)	29,389	2.1	29,389	FY 1987
35.	629	New Orleans	1,222,549	(10,887)	(0.8)	(91,875)	(7.5)	46,004	FY 1983
36.*	648/683	Portland	1,289,654	(11,620)	(1.0)	(34,783)	(3.6)	30,832	FY 1983
37.	642	Philadelphia	1,014,633	(40,313)	(3.7)	(63,245)	(6.2)	1,973	FY 1983
38.*	537	Chicago WS	1,423,622	(42,010)	(2.7)	(95,461)	(6.7)	(6,225)	FY 1985
39.*	663	Seattle	1,628,432	(45,070)	(3.2)	(50,997)	(3.1)	(27,920)	FY 1985
40.	662	San Francisco	1,578,630	(87,946)	(5.5)	(71,145)	(4.5)	(71,145)	FY 1987

* = Canteens Authorized to Discontinue Sale of Tobacco Products Prior to FY 1987.

CANTEEN		YEAR DISCONTINUED
#648/683	Portland/Vancouver	1969 (Van. Div. only)
#598	Little Rock	1969
#663	Seattle	1972
#537	Chicago (Westside)	1973
#508	Decatur	1974
#648	Portland	1988

CANTEEN		YEAR DISCONTINUED
#605	Loma Linda	1977
#543	Columbia, MO	1978
#520	Biloxi (Biloxi Div. only)	1986

VCS GRADE - 16 CANTEENS
NET INCOME (LOSS) FY 1983 - FY 1987

	CANTEEN		TOTAL SALES FY 1987	FIVE YR. AVERAGE NET INCOME (LOSS)		NET INCOME (LOSS) FY 1987		MOST PROFITABLE YR. () DENOTES LOSS	
1.	455	San Juan	$3,581,258	$ 217,783	6.2 %	$ 244,850	6.8 %	$244,850	FY 198
2.	695	Milwaukee	2,514,004	187,264	6.5	140,763	5.6	256,515	FY 198
3.	652	Richmond	2,741,129	159,476	6.4	227,190	8.3	229,149	FY 198
4.	618	Minneapolis	1,925,525	150,156	7.7	33,183	1.7	190,195	FY 198
5.	614	Memphis	2,143,991	145,745	7.2	145,133	6.8	191,427	FY 198
6.	523	Boston	1,696,010	122,007	7.2	119,286	7.0	163,050	FY 198
7.	664	San Diego	2,104,602	121,257	5.9	107,754	5.1	145,748	FY 198
8.	526	Bronx	2,304,134	107,433	4.8	82,020	3.6	130,791	FY 198
9.	688	Washington	1,969,125	92,717	4.7	92,392	4.7	112,586	FY 198
10.	527	Brooklyn	2,365,204	82,644	3.6	54,148	2.3	110,129	FY 198
11.	578	Hines	3,163,864	80,656	2.5	155,965	4.9	155,965	FY 198
12.	580	Houston	2,516,614	76,492	3.0	84,891	3.4	115,799	FY 198
13.	632	Northport	2,244,584	73,887	3.4	94,930	4.2	94,930	FY 198
14.	528	Buffalo	1,918,991	73,768	3.8	62,922	3.3	86,137	FY 198
15.	600	Long Beach	2,776,272	59,980	2.0	106,203	3.8	106,203	FY 198
16.	546	Miami	2,057,610	56,548	2.9	85,089	4.1	85,089	FY 198
17.	630	New York	1,924,232	42,668	2.2	28,839	1.5	60,730	FY 198
18.	657	St. Louis	1,837,911	28,725	1.6	15,158	0.8	69,502	FY 198
19.	552	Dayton	1,809,112	23,234	1.3	95,855	5.3	95,855	FY 198
20.	196	Los Angeles	2,389,596	17,546	0.7	60,831	2.5	60,831	FY 198
21.	596	Lexington	1,464,291	13,059	0.9	257	0.0	24,363	FY 19
22.	646	Pittsburgh	1,539,180	7,886	0.5	7,945	0.5	17,648	FY 19
23.	561	East Orange	1,666,594	(13,425)	(0.8)	(70,823)	(4.2)	23,541	FY 19

Attachment 20b

VETERANS CANTEEN SERVICE
INCOME AND EXPENSE STATEMENT - ANN ARBOR, MI - 506

	FISCAL YEAR 1987	%	FISCAL YEAR 1986	%	FISCAL YEAR 1985	%	FISCAL YEAR 1984	%	FISCAL YEAR 1983	%
RETAIL DEPTS.										
SALES	299,682	100.0%	308,997	100.0%	304,636	100.0%	283,923	100.0%	305,422	100.0%
COST OF SALES	231,073	77.1%	241,153	78.0%	239,331	78.6%	223,690	78.8%	240,891	78.9%
GROSS INCOME	68,609	22.9%	67,843	22.0%	65,305	21.4%	60,235	21.2%	64,531	21.1%
DEPT. EXPENSE										
SALARIES & WAGES	50,992	17.0%	51,589	16.7%	44,625	14.6%	42,439	14.9%	49,481	16.2%
SUPPLIES	1,059	0.4%	1,643	0.5%	1,794	0.6%	1,064	0.4%	1,793	0.6%
REPAIRS	969	0.3%	923	0.3%	676	0.2%	994	0.4%	707	0.2%
DEPREC. & AMORT.	754	0.3%	755	0.2%	755	0.2%	708	0.2%	1,594	0.5%
OCCUPANCY	4,785	1.6%	4,907	1.6%	4,626	1.6%	5,153	1.8%	4,724	1.5%
EMPLOYEE BENEFITS	10,661	3.6%	9,700	3.1%	8,208	2.7%	4,225	1.5%	4,959	1.6%
CASH OVER/SHORT	(48)	.0%	266	0.1%	221	0.1%	126	.0%	(87)	.0%
MISCELLANEOUS	1,474	0.5%	1,060	0.3%	86	.0%	523	0.2%	2,096	0.7%
TOTAL EXPENSES	70,645	23.6%	70,843	22.9%	61,192	20.1%	55,233	19.5%	65,267	21.4%
OPER. INCOME (LOSS)	(2,037)	-0.7%	(3,000)	-1.0%	4,113	1.4%	5,000	1.8%	(736)	-0.2%
MANUAL FOOD										
SALES	432,616	100.0%	442,737	100.0%	451,096	100.0%	416,554	100.0%	383,389	100.0%
COST OF SALES	159,281	36.8%	163,586	36.9%	165,649	36.7%	157,750	37.9%	137,082	35.8%
GROSS INCOME	273,335	63.2%	279,151	63.1%	285,447	63.3%	258,803	62.1%	246,307	64.2%
DEPT. EXPENSE										
SALARIES & WAGES	135,788	31.4%	135,534	30.6%	134,876	29.9%	128,864	30.9%	118,452	30.9%
SUPPLIES	35,702	8.3%	30,221	6.8%	31,604	7.0%	28,291	6.8%	24,155	6.3%
REPAIRS	2,365	0.6%	1,536	0.3%	1,561	0.3%	1,742	0.4%	1,257	0.3%
DEPREC. & AMORT.	3,596	0.8%	3,359	0.8%	3,172	0.7%	3,058	0.7%	4,979	1.3%
OCCUPANCY	6,654	1.5%	6,792	1.5%	6,902	1.5%	6,778	1.6%	5,401	1.4%
EMPLOYEE BENEFITS	26,575	6.1%	22,349	5.0%	21,738	4.8%	16,919	4.1%	12,476	3.3%
CASH OVER/SHORT	71	.0%	149	.0%	175	.0%	26	.0%	(60)	.0%
MISCELLANEOUS	13,561	3.1%	17,464	3.9%	16,006	3.5%	15,246	3.7%	20,167	5.3%
TOTAL EXPENSES	224,332	51.9%	217,391	49.1%	216,033	47.9%	200,924	48.2%	186,829	48.7%
OPER. INCOME (LOSS)	49,003	11.3%	61,760	13.9%	69,414	15.4%	57,880	13.9%	59,476	15.5%
AUTOMATIC FOOD										
SALES	59,519	100.0%	51,542	100.0%	52,360	100.0%	45,077	100.0%	38,825	100.0%
COST OF SALES	56,501	94.9%	48,839	94.8%	49,547	94.6%	42,652	94.6%	36,798	94.8%
GROSS INCOME	3,018	5.1%	2,704	5.2%	2,813	5.4%	2,421	5.4%	2,027	5.2%
DEPT. EXPENSE										
SALARIES & WAGES	325	0.5%	323	0.6%	334	0.6%	286	0.6%	301	0.8%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OCCUPANCY	914	1.5%	792	1.5%	809	1.5%	756	1.7%	548	1.4%
EMPLOYEE BENEFITS	58	0.1%	54	0.1%	55	0.1%	53	0.1%	48	0.1%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	1,297	2.2%	1,169	2.3%	1,191	2.3%	1,095	2.4%	897	2.3%
OPER. INCOME (LOSS)	1,721	2.9%	1,535	3.0%	1,622	3.1%	1,326	2.9%	1,130	2.9%
AUTOMATIC BEVERAGE										
SALES	68,218	100.0%	42,880	100.0%	44,811	100.0%	34,141	1..	33,667	100.0%
COST OF SALES	46,449	68.1%	30,211	70.5%	32,713	73.0%	24,925	73.0%	25,327	75.2%
GROSS INCOME	21,770	31.9%	12,669	29.5%	12,098	27.0%	9,216	27.0%	8,359	24.8%
DEPT. EXPENSE										
SALARIES & WAGES	325	0.5%	323	0.8%	334	0.7%	285	0.8%	301	0.9%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OCCUPANCY	1,060	1.6%	675	1.6%	702	1.6%	590	1.7%	490	1.5%
EMPLOYEE BENEFITS	58	0.1%	54	0.1%	55	0.1%	53	0.2%	48	0.1%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	1,443	2.1%	1,051	2.5%	1,090	2.4%	928	2.7%	838	2.5%
OPER. INCOME (LOSS)	20,327	29.8%	11,617	27.1%	11,008	24.6%	8,288	24.3%	7,521	22.3%
SERVICE DEPTS.										
SALES	6,484	100.0%	7,178	100.0%	8,636	100.0%	9,441	100.0%	12,173	100.0%
OPER. INCOME (LOSS)	(378)	-5.8%	289	4.0%	1,165	13.5%	911	9.7%	1,243	10.2%
TOTAL DEPTS.										
SALES	866,518	100.0%	853,334	100.0%	861,539	100.0%	789,131	100.0%	773,496	100.0%
OPER. INCOME (LOSS)	68,636	7.9%	72,201	8.5%	87,323	10.1%	73,405	9.5%	68,637	8.9%
NON. EXPN. F.O.	(36,213)	-4.2%	(31,448)	-3.7%	(34,184)	-4.0%	(32,954)	-4.2%	(29,828)	-3.9%
NON. EXPN. C.O.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DISP. ASSETS FO/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
MISC. INC. FC/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OTHER INCOME	0	0.0%	5	.0%	5	.0%	0	0.0%	0	0.0%
DISP. FA/LERSE	(720)	-0.1%	(135)	.0%	0	0.0%	(48)	.0%	(845)	-0.1%
COUP. REDEMPTION	2,960	0.3%	0	0.0%	2,710	0.3%	0	0.0%	653	0.1%
MISC. NON-OP INC.	398	.0%	1,065	0.1%	617	0.1%	288	.0%	908	0.1%
INTEREST INCOME	1,236	0.1%	1,499	0.2%	1,745	0.2%	777	0.1%	0	0.0%
BANK SERVICE CHARGES	(652)	-0.1%	(648)	-0.1%	(741)	-0.1%	(180)	.0%	0	0.0%
NET INCOME	35,644	4.1%	42,539	5.0%	57,475	6.7%	41,288	5.2%	39,525	5.1%

VETERANS CANTEEN SERVICE
INCOME AND EXPENSE STATEMENT - LITTLE ROCK, AR - 598

	FISCAL YEAR 1987	%	FISCAL YEAR 1986	%	FISCAL YEAR 1985	%	FISCAL YEAR 1984	%	FISCAL YEAR 1983	%
RETAIL DEPTS.										
SALES	756,869	100.0%	692,847	100.0%	553,933	100.0%	499,584	100.0%	491,418	100.0%
COST OF SALES	579,345	76.6%	540,809	78.1%	448,426	81.0%	386,510	77.4%	382,884	77.9%
GROSS INCOME	177,223	23.4%	152,038	21.9%	105,507	19.0%	113,073	22.6%	108,[illegible]	22.1%
DEPT. EXPENSE										
SALARIES & WAGES	94,703	12.5%	89,674	12.9%	82,995	15.0%	80,693	16.2%	80,832	16.4%
SUPPLIES	4,252	0.6%	2,466	0.4%	1,737	0.3%	2,933	0.6%	1,867	0.4%
REPAIRS	1,526	0.2%	1,513	0.2%	1,240	0.2%	1,004	0.2%	1,[illegible]	0.3%
DEPREC. & AMORT.	2,792	0.4%	2,731	0.4%	2,393	0.4%	2,376	0.5%	1,[illegible]	0.3%
OCCUPANCY	11,922	1.6%	10,927	1.6%	8,688	1.6%	9,126	1.8%	7,634	1.6%
EMPLOYEE BENEFITS	13,570	1.8%	11,294	1.6%	12,300	2.2%	10,535	2.1%	10,17[illegible]	2.1%
CASH OVER/SHORT	59	.0%	(10)	.0%	(27)	.0%	33	.0%	62	.0%
MISCELLANEOUS	2,029	0.3%	3,966	0.6%	2,113	0.4%	10,265	2.1%	945	0.2%
TOTAL EXPENSES	130,853	17.3%	122,561	17.7%	111,439	20.1%	116,966	23.4%	103,577	21.2%
OPER. INCOME (LOSS)	46,371	6.1%	29,477	4.3%	(5,932)	-1.1%	(3,892)	-0.8%	4,585	0.9%
MANUAL FOOD										
SALES	755,294	100.0%	762,941	100.0%	715,600	100.0%	568,971	100.0%	511,780	100.0%
COST OF SALES	264,408	35.0%	273,629	35.9%	263,563	36.8%	210,868	37.1%	177,448	34.7%
GROSS INCOME	490,886	65.0%	489,312	64.1%	452,037	63.2%	358,103	62.9%	334,281	65.3%
DEPT. EXPENSE										
SALARIES & WAGES	252,979	33.5%	254,317	33.3%	243,895	34.1%	213,688	37.6%	193,259	37.8%
SUPPLIES	40,629	5.4%	39,731	5.2%	35,547	5.0%	32,671	5.7%	31,224	6.1%
REPAIRS	3,515	0.5%	3,326	0.4%	2,583	0.4%	3,768	0.7%	3,701	0.7%
DEPREC. & AMORT.	20,215	2.7%	20,186	2.6%	20,383	2.8%	24,471	4.3%	10,928	2.1%
OCCUPANCY	11,655	1.5%	11,741	1.5%	10,934	1.5%	9,486	1.7%	7,266	1.4%
EMPLOYEE BENEFITS	48,825	6.5%	43,248	5.7%	45,263	6.3%	32,930	5.8%	28,172	5.5%
CASH OVER/SHORT	(51)	.0%	(3)	.0%	(234)	.0%	(79)	.0%	93	.0%
MISCELLANEOUS	1,933	0.3%	2,770	0.4%	2,728	0.4%	13,615	2.4%	7,095	1.4%
TOTAL EXPENSES	379,700	50.3%	375,316	49.2%	361,098	50.5%	330,503	58.1%	281,685	55.0%
OPER. INCOME (LOSS)	111,187	14.7%	113,996	14.9%	90,938	12.7%	27,600	4.9%	52,596	10.3%
AUTOMATIC FOOD										
SALES	66,353	100.0%	70,514	100.0%	75,077	100.0%	70,025	100.0%	63,155	100.0%
COST OF SALES	53,054	80.0%	56,656	80.3%	60,120	80.1%	55,641	79.5%	50,755	80.4%
GROSS INCOME	13,299	20.0%	13,857	19.7%	14,957	19.9%	14,383	20.5%	12,400	19.6%
DEPT. EXPENSE										
SALARIES & WAGES	552	0.8%	547	0.8%	534	0.7%	847	1.2%	507	0.8%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OCCUPANCY	1,038	1.6%	1,095	1.6%	1,152	1.5%	1,193	1.7%	891	1.4%
EMPLOYEE BENEFITS	49	0.1%	48	0.1%	47	0.1%	90	0.1%	49	0.1%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	1,638	2.5%	1,690	2.4%	1,733	2.3%	2,130	3.0%	1,441	2.3%
OPER. INCOME (LOSS)	11,661	17.6%	12,167	17.3%	13,224	17.6%	12,254	17.5%	10,962	17.4%
AUTOMATIC BEVERAGE										
SALES	137,242	100.0%	135,850	100.0%	92,934	100.0%	140,885	100.0%	125,856	100.0%
COST OF SALES	112,363	81.9%	110,408	81.3%	391	75.5%	105,090	74.6%	93,[illegible]	74.1%
GROSS INCOME	24,879	18.1%	25,442	18.7%	34	24.5%	35,796	25.4%	32,540	25.9%
DEPT. EXPENSE										
SALARIES & WAGES	552	0.4%	547	0.4%	534	0.4%	534	0.4%	507	0.4%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OCCUPANCY	2,131	1.6%	2,100	1.5%	2,037	1.5%	2,282	1.6%	1,840	1.5%
EMPLOYEE BENEFITS	49	.0%	48	.0%	47	.0%	46	.0%	43	.0%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	2,732	2.0%	2,695	2.0%	2,618	2.0%	2,862	2.0%	2,390	1.9%
OPER. INCOME (LOSS)	22,147	16.1%	22,747	16.7%	29,925	22.5%	32,934	23.4%	30,150	24.0%
SERVICE DEPTS.										
SALES	8,328	100.0%	9,255	100.0%	8,202	100.0%	7,068	100.0%	6,887	100.0%
OPER. INCOME (LOSS)	3,004	36.1%	3,437	37.1%	2,926	35.7%	1,621	22.9%	1,776	25.8%
TOTAL DEPTS.										
SALES	1,723,785	100.0%	1,671,406	100.0%	1,488,745	100.0%	1,286,532	100.0%	1,199,069	100.0%
OPER. INCOME (LOSS)	194,368	11.3%	181,824	10.9%	131,082	8.8%	70,516	5.5%	100,070	8.3%
ADM. EXPN. F.O.	(80,232)	-4.7%	(70,934)	-4.2%	(65,724)	-4.4%	(61,425)	-4.8%	(51,115)	-4.3%
ADM. EXPN. C.O.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DISP. ASSETS FO/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
MISC. INC. FC/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OTHER INCOME	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DISP. FA/LEASE	(2,177)	-0.1%	75	.0%	(323)	.0%	(43,793)	-3.4%	(3,679)	-0.3%
COUP. REDEMPTION	1,481	0.1%	0	0.0%	272	.0%	0	0.0%	(254)	.0%
MISC. NON-OP INC.	(497)	.0%	3,971	0.2%	989	0.1%	1,032	0.1%	(179)	.0%
INTEREST INCOME	1,645	0.1%	2,284	0.1%	126	.0%	0	0.0%	0	0.0%
BANK SERVICE CHARGES	(2,114)	-0.1%	(994)	-0.1%	(30)	.0%	0	0.0%	0	0.0%
NET INCOME	112,474	6.5%	116,227	7.0%	66,391	4.5%	(33,641)	-2.6%	44,863	3.7%

VETERANS CANTEEN SERVICE
INCOME AND EXPENSE STATEMENT - NEWINGTON, CT - 627

	FISCAL YEAR 1987	%	FISCAL YEAR 1986	%	FISCAL YEAR 1985	%	FISCAL YEAR 1984	%	FISCAL YEAR 1983	%
RETAIL DEPTS.										
SALES	240,826	100.0%	259,303	100.0%	279,568	100.0%	268,642	100.0%	236,652	100.0%
COST OF SALES	196,231	81.5%	209,195	80.2%	220,651	78.9%	209,499	78.0%	190,342	80.4%
GROSS INCOME	44,595	18.5%	50,100	19.8%	58,917	21.1%	59,143	22.0%	46,310	19.6%
DEPT. EXPENSE										
SALARIES & WAGES	51,430	21.4%	53,559	21.1%	50,508	18.1%	48,225	18.0%	46,263	19.5%
SUPPLIES	288	0.1%	719	0.3%	1,374	0.5%	757	0.3%	991	0.4%
REPAIRS	658	0.3%	635	0.3%	597	0.2%	819	0.3%	594	0.3%
DEPREC. & AMORT.	693	0.3%	649	0.3%	800	0.3%	1,016	0.4%	1,025	0.4%
OCCUPANCY	3,765	1.6%	3,948	1.6%	4,350	1.6%	4,885	1.7%	3,693	1.6%
EMPLOYEE BENEFITS	9,569	4.0%	7,802	3.1%	7,531	2.7%	7,270	2.7%	6,573	2.8%
CASH OVER/SHORT	49	.0%	11	.0%	42	.0%	120	.0%	25	.0%
MISCELLANEOUS	1,054	0.4%	683	0.2%	421	0.2%	484	0.2%	533	0.2%
TOTAL EXPENSES	67,546	28.0%	67,956	26.0%	65,623	23.5%	63,247	23.5%	59,697	25.2%
OPER. INCOME (LOSS)	(22,951)	-9.5%	(17,840)	-7.0%	(6,706)	-2.4%	(4,104)	-1.5%	(13,387)	-5.7%
MANUAL FOOD										
SALES	189,326	100.0%	178,774	100.0%	170,909	100.0%	160,257	100.0%	134,574	100.0%
COST OF SALES	73,103	38.6%	67,947	38.0%	63,806	37.3%	60,853	37.9%	53,110	39.5%
GROSS INCOME	116,223	61.4%	110,827	62.0%	107,104	62.7%	99,504	62.1%	81,463	60.5%
DEPT. EXPENSE										
SALARIES & WAGES	59,624	31.5%	56,285	31.5%	59,650	34.9%	59,497	37.1%	58,320	43.3%
SUPPLIES	9,661	5.1%	9,461	5.3%	9,704	5.7%	8,669	5.4%	9,476	7.0%
REPAIRS	1,098	0.6%	1,361	0.8%	2,387	1.4%	1,610	1.0%	1,603	1.2%
DEPREC. & AMORT.	2,460	1.3%	1,566	0.9%	2,833	1.7%	3,782	2.4%	3,788	2.8%
OCCUPANCY	2,927	1.5%	2,764	1.5%	2,646	1.5%	2,666	1.7%	1,900	1.4%
EMPLOYEE BENEFITS	8,732	4.6%	7,204	4.0%	8,469	5.0%	8,450	5.3%	8,571	6.4%
CASH OVER/SHORT	30	.0%	41	.0%	12	.0%	(5)	.0%	48	.0%
MISCELLANEOUS	393	0.2%	649	0.4%	526	0.3%	430	0.3%	1,055	0.8%
TOTAL EXPENSES	84,926	44.9%	79,330	44.4%	86,227	50.5%	85,099	53.1%	84,762	63.0%
OPER. INCOME (LOSS)	31,297	16.5%	31,497	17.6%	20,877	12.2%	14,405	9.0%	(3,299)	-2.5%
AUTOMATIC FOOD										
SALES	13,013	100.0%	15,382	100.0%	16,193	100.0%	19,359	100.0%	21,113	100.0%
COST OF SALES	12,080	92.8%	14,512	94.3%	15,361	94.9%	18,253	94.3%	20,132	95.4%
GROSS INCOME	932	7.2%	871	5.7%	832	5.1%	1,106	5.7%	981	4.6%
DEPT. EXPENSE										
SALARIES & WAGES	0	0.0%	0	0.0%	0	0.0%	0	0.0%	96	0.5%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	28	0.2%	28	0.2%	28	0.2%	28	0.1%	47	0.2%
OCCUPANCY	206	1.6%	241	1.6%	254	1.6%	333	1.7%	298	1.4%
EMPLOYEE BENEFITS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	14	0.1%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	234	1.8%	269	1.7%	281	1.7%	361	1.9%	456	2.2%
OPER. INCOME (LOSS)	698	5.4%	602	3.9%	550	3.4%	745	3.8%	526	2.5%
AUTOMATIC BEVERAGE										
SALES	[illegible]	00.0%	19,340	100.0%	23,936	100.0%	21,968	100.0%	21,688	100.0%
COST OF SALES	[illegible]	78.9%	14,806	76.6%	18,309	76.5%	16,824	76.6%	16,581	76.4%
GROSS INCOME	3,133	21.1%	4,534	23.4%	5,628	23.5%	5,143	23.4%	5,076	23.4%
DEPT. EXPENSE										
SALARIES & WAGES	0	0.0%	0	0.0%	0	0.0%	0	0.0%	96	0.4%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	28	0.2%	28	0.1%	28	0.1%	28	0.1%	47	0.2%
OCCUPANCY	242	1.6%	307	1.6%	377	1.6%	373	1.7%	320	1.5%
EMPLOYEE BENEFITS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	14	0.1%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	270	1.8%	335	1.7%	405	1.7%	401	1.8%	477	2.2%
OPER. INCOME (LOSS)	2,863	19.3%	4,199	21.7%	5,223	21.8%	4,742	21.6%	4,601	21.2%
SERVICE DEPTS.										
SALES	4,112	100.0%	4,619	100.0%	3,916	100.0%	4,941	100.0%	6,142	100.0%
OPER. INCOME (LOSS)	1,096	26.6%	965	20.9%	685	17.5%	617	12.5%	1,272	20.7%
TOTAL DEPTS.										
SALES	462,129	100.0%	471,419	100.0%	494,523	100.0%	475,267	100.0%	420,139	100.0%
OPER. INCOME (LOSS)	13,003	2.8%	19,415	4.1%	20,629	4.2%	16,406	3.5%	(10,288)	-2.4%
NON. EXPN. F.O.	(18,981)	-4.1%	(17,213)	-3.7%	(19,472)	-3.9%	(19,840)	-4.2%	(16,202)	-3.9%
NON. EXPN. C.O.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DISP. ASSETS FO/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
MISC. INC. FC/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OTHER INCOME	12	.0%	12	.0%	12	.0%	12	.0%	11	.0%
DISP. FA/LERSE	(701)	-0.2%	0	0.0%	0	0.0%	(158)	.0%	(1,802)	-0.4%
COUP. REDEMPTION	426	0.1%	0	0.0%	(139)	.0%	0	0.0%	(398)	-0.1%
MISC. NON-OP INC.	30	.0%	97	.0%	200	.0%	884	0.1%	(406)	-0.1%
INTEREST INCOME	450	0.1%	869	0.1%	831	0.1%	141	.0%	0	0.0%
BANK SERVICE CHARGES	(358)	-0.1%	(364)	-0.1%	(354)	-0.1%	(163)	.0%	0	0.0%
NET INCOME	(6,119)	-1.3%	2,516	0.5%	1,407	0.3%	(3,018)	-0.6%	(28,791)	-6.9%

VETERANS CANTEEN SERVICE
INCOME AND EXPENSE STATEMENT - PORTLAND, OR - 648 & VANCOUVER, WA -683

	FISCAL YEAR 1987	%	FISCAL YEAR 1986	%	FISCAL YEAR 1985	%	FISCAL YEAR 1984	%	FISCAL YEAR 1983	%
RETAIL DEPTS.										
SALES	439,596	100.0%	430,281	100.0%	470,340	100.0%	494,055	100.0%	568,503	100.0%
COST OF SALES	341,309	78.7%	331,423	77.0%	371,249	78.9%	387,516	78.4%	433,395	76.2%
GROSS INCOME	92,288	21.3%	98,858	23.0%	99,091	21.1%	106,539	21.6%	135,108	23.8%
DEPT. EXPENSE										
SALARIES & WAGES	94,167	21.7%	94,465	22.0%	110,055	23.4%	102,670	20.8%	99,909	17.6%
SUPPLIES	2,441	0.6%	1,736	0.4%	1,666	0.4%	2,961	0.6%	2,611	0.5%
REPAIRS	1,930	0.4%	1,961	0.5%	1,491	0.3%	2,214	0.4%	1,963	0.3%
DEPREC. & AMORT.	3,161	0.7%	2,149	0.5%	2,072	0.4%	2,051	0.4%	2,495	0.4%
OCCUPANCY	6,934	1.6%	6,842	1.6%	7,446	1.6%	8,766	1.8%	8,860	1.6%
EMPLOYEE BENEFITS	17,316	4.0%	14,760	3.4%	16,072	3.4%	14,390	2.9%	13,356	2.3%
CASH OVER/SHORT	(56)	.0%	139	.0%	187	.0%	86	.0%	79	.0%
MISCELLANEOUS	10,422	2.4%	4,782	1.1%	2,387	0.5%	2,336	0.5%	2,534	0.4%
TOTAL EXPENSES	136,315	31.4%	126,842	29.5%	141,377	30.1%	135,475	27.4%	131,809	23.2%
OPER. INCOME (LOSS)	(44,027)	-10.2%	(27,985)	-6.5%	(42,286)	-9.0%	(28,936)	-5.9%	3,299	0.6%
MANUAL FOOD										
SALES	746,360	100.0%	672,474	100.0%	634,472	100.0%	580,168	100.0%	541,164	100.0%
COST OF SALES	300,258	40.2%	261,447	38.9%	246,195	38.8%	219,893	37.9%	210,331	38.9%
GROSS INCOME	446,101	59.8%	411,027	61.1%	388,276	61.2%	360,275	62.1%	330,833	61.1%
DEPT. EXPENSE										
SALARIES & WAGES	290,543	38.9%	271,713	40.4%	215,946	34.0%	198,960	34.3%	193,501	35.8%
SUPPLIES	41,498	5.6%	40,281	6.0%	32,513	5.1%	28,344	4.9%	25,940	4.8%
REPAIRS	4,078	0.5%	4,129	0.6%	3,674	0.6%	3,256	0.6%	4,279	0.8%
DEPREC. & AMORT.	20,932	2.8%	10,656	1.6%	10,469	1.6%	11,625	2.0%	11,199	2.1%
OCCUPANCY	11,440	1.5%	10,303	1.5%	9,723	1.5%	9,485	1.6%	6,505	1.2%
EMPLOYEE BENEFITS	63,639	8.5%	44,617	6.6%	32,518	5.1%	25,407	4.4%	24,035	4.4%
CASH OVER/SHORT	73	.0%	(46)	.0%	6	.0%	13	.0%	(178)	.0%
MISCELLANEOUS	5,294	0.7%	7,221	1.1%	5,814	0.9%	2,048	0.4%	2,300	0.4%
TOTAL EXPENSES	437,497	58.6%	388,874	57.8%	310,663	49.0%	279,139	48.1%	267,580	49.4%
OPER. INCOME (LOSS)	8,604	1.2%	22,153	3.3%	77,613	12.2%	81,137	14.0%	63,245	11.7%
AUTOMATIC FOOD										
SALES	62,375	100.0%	65,226	100.0%	66,309	100.0%	57,045	100.0%	58,829	100.0%
COST OF SALES	51,968	83.3%	50,713	77.7%	51,760	78.1%	47,830	83.8%	49,138	83.5%
GROSS INCOME	10,408	16.7%	14,513	22.3%	14,549	21.9%	9,216	16.2%	9,691	16.5%
DEPT. EXPENSE										
SALARIES & WAGES	1,389	2.2%	1,649	2.5%	1,322	2.0%	1,618	2.8%	1,751	3.0%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	0	0.0%	0	0.0%	0	0.0%	43	0.1%	75	0.1%
OCCUPANCY	967	1.6%	1,006	1.5%	1,021	1.5%	973	1.7%	847	1.4%
EMPLOYEE BENEFITS	253	0.4%	249	0.4%	195	0.3%	199	0.3%	240	0.4%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	2,609	4.2%	2,904	4.5%	2,539	3.8%	2,834	5.0%	2,912	5.0%
OPER. INCOME (LOSS)	7,799	12.5%	11,610	17.8%	12,010	18.1%	6,382	11.2%	6,778	11.5%
AUTOMATIC BEVERAGE										
SALES	34,455	100.0%	32,353	100.0%	33,768	100.0%	31,521	100.0%	35,482	100.0%
COST OF SALES	23,746	68.9%	21,307	65.9%	21,187	62.7%	18,265	57.9%	20,574	58.0%
GROSS INCOME	10,709	31.1%	11,046	34.1%	12,581	37.3%	13,256	42.1%	14,908	42.0%
DEPT. EXPENSE										
SALARIES & WAGES	2,275	6.6%	2,680	8.3%	1,927	5.7%	2,170	6.9%	2,240	6.3%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	0	0.0%	0	0.0%	0	0.0%	43	0.1%	75	0.2%
OCCUPANCY	571	1.7%	530	1.6%	552	1.6%	501	1.6%	530	1.5%
EMPLOYEE BENEFITS	402	1.2%	393	1.2%	268	0.8%	272	0.9%	303	0.9%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	3,248	9.4%	3,603	11.1%	2,747	8.1%	3,065	9.7%	3,149	8.9%
OPER. INCOME (LOSS)	7,461	21.7%	7,443	23.0%	9,835	29.1%	10,192	32.3%	11,799	33.1%
SERVICE DEPTS.										
SALES	12,868	100.0%	16,379	100.0%	19,053	100.0%	19,654	100.0%	18,302	100.0%
OPER. INCOME (LOSS)	2,409	18.7%	2,400	14.7%	2,304	12.1%	1,629	8.3%	1,454	7.9%
TOTAL DEPTS.										
SALES	1,289,654	100.0%	1,216,714	100.0%	1,223,941	100.0%	1,182,443	100.0%	1,222,279	100.0%
OPER. INCOME (LOSS)	(17,754)	-1.4%	15,621	1.3%	59,476	4.9%	70,402	6.0%	86,575	7.1%
ADM. EXPN. F.O.	(63,113)	-4.9%	(51,847)	-4.3%	(57,994)	-4.7%	(58,701)	-5.0%	(55,105)	-4.5%
ADM. EXPN. C.O.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DISP. ASSETS FO/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
MISC. INC. FC/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OTHER INCOME	110	.0%	260	.0%	170	.0%	255	.0%	20	.0%
DISP. FA/LEASE	(2,141)	-0.2%	(912)	-0.1%	0	0.0%	0	0.0%	(2,593)	-0.2%
COUP. REDEMPTION	2,190	0.2%	0	0.0%	3,062	0.3%	0	0.0%	1,265	0.1%
MISC. NON-OP INC.	2,289	0.2%	604	.0%	1,263	0.1%	735	0.1%	669	0.1%
INTEREST INCOME	2,065	0.2%	2,308	0.2%	2,374	0.2%	468	.0%	0	0.0%
BANK SERVICE CHARGES	(86)	.0%	(14)	.0%	(19)	.0%	0	0.0%	0	0.0%
NET INCOME	(76,441)	-5.9%	(33,980)	-2.8%	8,332	0.7%	13,159	1.1%	30,832	2.5%

VETERANS CANTEEN SERVICE
INCOME AND EXPENSE STATEMENT - CHICAGO, IL - MS - 537

	FISCAL YEAR 1987	%	FISCAL YEAR 1986	%	FISCAL YEAR 1985	%	FISCAL YEAR 1984	%	FISCAL YEAR 1983	%
RETAIL DEPTS.										
SALES	843,690	100.0%	876,765	100.0%	938,942	100.0%	849,407	100.0%	869,002	100.0%
COST OF SALES	648,012	76.8%	698,558	79.7%	753,904	80.3%	667,310	78.6%	722,868	83.2%
GROSS INCOME	195,678	23.2%	178,207	20.3%	185,037	19.7%	182,097	21.4%	146,134	16.8%
DEPT. EXPENSE										
SALARIES & WAGES	156,993	18.6%	148,807	17.0%	126,120	13.4%	128,395	15.1%	132,802	15.3%
SUPPLIES	3,770	0.4%	5,023	0.6%	4,502	0.5%	4,435	0.5%	5,499	0.6%
REPAIRS	2,008	0.2%	1,973	0.2%	1,789	0.2%	2,466	0.3%	1,958	0.2%
DEPREC. & AMORT.	5,027	0.6%	3,795	0.4%	3,542	0.4%	3,530	0.4%	3,256	0.4%
OCCUPANCY	13,129	1.6%	13,639	1.6%	14,615	1.6%	14,670	1.7%	13,554	1.6%
EMPLOYEE BENEFITS	27,495	3.3%	20,111	2.3%	18,024	1.9%	18,891	2.2%	18,506	2.1%
CASH OVER/SHORT	284	.0%	135	.0%	86	.0%	152	.0%	(43)	.0%
MISCELLANEOUS	2,027	0.2%	4,920	0.6%	1,929	0.2%	1,585	0.2%	3,283	0.4%
TOTAL EXPENSES	210,735	25.0%	198,404	22.6%	170,607	18.2%	174,132	20.5%	178,216	20.5%
OPER. INCOME (LOSS)	(15,057)	-1.8%	(20,197)	-2.3%	14,430	1.5%	7,965	0.9%	(32,082)	-3.7%
MANUAL FOOD										
SALES	347,731	100.0%	437,730	100.0%	493,062	100.0%	473,775	100.0%	457,030	100.0%
COST OF SALES	140,862	40.5%	165,055	37.7%	187,111	37.9%	186,727	39.4%	172,261	37.7%
GROSS INCOME	206,869	59.5%	272,674	62.3%	305,951	62.1%	287,048	60.6%	284,768	62.3%
DEPT. EXPENSE										
SALARIES & WAGES	185,647	53.4%	204,032	46.6%	219,126	44.4%	211,638	44.7%	213,676	46.8%
SUPPLIES	34,395	9.9%	28,445	6.5%	23,890	4.8%	22,586	4.8%	26,570	5.8%
REPAIRS	2,049	0.6%	2,160	0.5%	2,207	0.4%	1,945	0.4%	2,883	0.6%
DEPREC. & AMORT.	12,521	3.6%	6,702	1.5%	7,470	1.5%	7,450	1.6%	9,004	2.0%
OCCUPANCY	5,485	1.6%	6,838	1.6%	7,675	1.6%	8,061	1.7%	6,507	1.4%
EMPLOYEE BENEFITS	30,972	8.9%	25,932	5.9%	27,560	5.6%	26,034	5.5%	24,085	5.3%
CASH OVER/SHORT	68	.0%	148	.0%	(1)	.0%	57	.0%	63	.0%
MISCELLANEOUS	19,808	5.7%	2,232	0.5%	2,745	0.6%	1,468	0.3%	4,514	1.0%
TOTAL EXPENSES	290,945	83.7%	276,489	63.2%	290,680	59.0%	279,240	58.9%	287,301	62.9%
OPER. INCOME (LOSS)	(84,075)	-24.2%	(3,815)	-0.9%	15,271	3.1%	7,808	1.6%	(2,533)	-0.6%
AUTOMATIC FOOD										
SALES	59,731	100.0%	60,670	100.0%	59,324	100.0%	60,640	100.0%	59,077	100.0%
COST OF SALES	49,630	83.1%	50,820	83.8%	49,727	83.8%	51,681	85.2%	49,446	83.7%
GROSS INCOME	10,100	16.9%	9,850	16.2%	9,597	16.2%	8,958	14.8%	9,631	16.3%
DEPT. EXPENSE										
SALARIES & WAGES	356	0.6%	326	0.5%	1,042	1.8%	2,343	3.9%	1,826	3.1%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OCCUPANCY	931	1.6%	945	1.6%	926	1.6%	1,064	1.8%	845	1.4%
EMPLOYEE BENEFITS	45	0.1%	41	0.1%	127	0.2%	222	0.4%	156	0.3%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	1,332	2.2%	1,312	2.2%	2,095	3.5%	3,629	6.0%	2,826	4.8%
OPER. INCOME (LOSS)	8,768	14.7%	8,546	14.1%	7,502	12.6%	5,329	8.8%	6,805	11.5%
AUTOMATIC BEVERAGE										
SALES	145,588	100.0%	137,793	100.0%	120,617	100.0%	117,139	100.0%	111,213	100.0%
COST OF SALES	95,707	65.7%	90,515	65.7%	79,118	65.6%	75,925	64.7%	72,677	65.3%
GROSS INCOME	49,882	34.3%	47,278	34.3%	41,498	34.4%	45,215	37.3%	38,536	34.7%
DEPT. EXPENSE										
SALARIES & WAGES	712	0.5%	589	0.4%	11,445	9.5%	6,869	5.7%	2,010	1.8%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OCCUPANCY	2,243	1.5%	2,123	1.5%	1,870	1.6%	1,991	1.6%	1,625	1.5%
EMPLOYEE BENEFITS	90	0.1%	114	0.1%	2,463	2.0%	1,024	0.8%	260	0.2%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	3,045	2.1%	2,826	2.1%	15,778	13.1%	9,885	8.2%	3,894	3.5%
OPER. INCOME (LOSS)	46,836	32.2%	44,452	32.3%	25,721	21.3%	35,330	29.2%	34,643	31.1%
SERVICE DEPTS.										
SALES	26,882	100.0%	26,495	100.0%	29,973	100.0%	32,580	100.0%	38,187	100.0%
OPER. INCOME (LOSS)	2,822	10.5%	3,838	14.5%	3,241	10.8%	6,691	20.5%	459	1.2%
TOTAL DEPTS.										
SALES	1,423,622	100.0%	1,539,461	100.0%	1,641,916	100.0%	1,537,540	100.0%	1,534,511	100.0%
OPER. INCOME (LOSS)	(40,706)	-2.9%	32,824	2.1%	66,165	4.0%	63,124	4.1%	7,292	0.5%
ADM. EXPN. F.O.	(68,679)	-4.8%	(64,746)	-4.2%	(77,752)	-4.7%	(76,427)	-5.0%	(69,181)	-4.5%
ADM. EXPN. C.O.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DISP. ASSETS FO/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
MISC. INC. FC/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OTHER INCOME	195	.0%	180	.0%	180	.0%	80	.0%	70	.0%
DISP. FA/LERSE	(2,160)	-0.2%	(8,212)	-0.5%	(1,000)	-0.1%	(125)	.0%	(1,410)	-0.1%
COUP. REDEMPTION	2,984	0.2%	0	0.0%	1,430	0.1%	0	0.0%	1,641	0.1%
MISC. NON-OP INC.	11,578	0.8%	4,856	0.3%	1,444	0.1%	2,186	0.1%	2,430	0.2%
INTEREST INCOME	2,558	0.2%	3,274	0.2%	4,305	0.3%	1,362	0.1%	0	0.0%
BANK SERVICE CHARGES	(1,232)	-0.1%	(7,538)	-0.5%	(989)	-0.1%	(15)	.0%	0	0.0%
NET INCOME	(98,461)	-6.7%	(39,362)	-2.6%	(6,225)	-0.4%	(9,845)	-0.6%	159,158	-3.9%

VETERANS CANTEEN SERVICE
INCOME AND EXPENSE STATEMENT - IOWA CITY, IA - 584

	FISCAL YEAR 1987	%	FISCAL YEAR 1986	%	FISCAL YEAR 1985	%	FISCAL YEAR 1984	%	FISCAL YEAR 1983	%
RETAIL DEPTS.										
SALES	270,570	100.0%	278,632	100.0%	315,612	100.0%	345,775	100.0%	386,531	100.0%
COST OF SALES	209,673	77.6%	227,393	81.6%	246,088	78.0%	284,468	77.8%	298,668	77.3%
GROSS INCOME	60,697	22.4%	51,239	18.4%	69,424	22.0%	81,307	22.2%	87,863	22.7%
DEPT. EXPENSE										
SALARIES & WAGES	60,853	22.5%	60,848	21.8%	58,277	18.5%	65,128	17.8%	62,934	16.3%
SUPPLIES	1,569	0.6%	1,187	0.4%	1,110	0.4%	1,610	0.4%	2,481	0.6%
REPAIRS	2,081	0.8%	1,376	0.5%	1,195	0.4%	1,452	0.4%	1,437	0.4%
DEPREC. & AMORT.	1,552	0.6%	1,103	0.4%	1,100	0.3%	1,182	0.3%	1,105	0.3%
OCCUPANCY	4,315	1.6%	4,422	1.6%	4,997	1.6%	6,340	1.7%	6,025	1.6%
EMPLOYEE BENEFITS	7,347	2.7%	8,032	2.9%	8,477	2.7%	8,716	2.4%	7,156	1.9%
CASH OVER/SHORT	126	.0%	113	.0%	6	.0%	(3)	.0%	(32)	.0%
MISCELLANEOUS	1,032	0.4%	1,187	0.4%	866	0.3%	987	0.3%	907	0.2%
TOTAL EXPENSES	78,876	29.2%	78,270	28.1%	76,028	24.1%	85,362	23.3%	82,012	21.2%
OPER. INCOME (LOSS)	(18,179)	-6.7%	(27,032)	-9.7%	(6,604)	-2.1%	(4,075)	-1.1%	5,851	1.5%
MANUAL FOOD										
SALES	376,491	100.0%	376,097	100.0%	401,613	100.0%	430,568	100.0%	405,058	100.0%
COST OF SALES	132,554	35.2%	139,265	37.0%	152,033	37.9%	154,377	35.9%	146,191	36.1%
GROSS INCOME	243,937	64.8%	236,832	63.0%	249,580	62.1%	276,191	64.1%	258,867	63.9%
DEPT. EXPENSE										
SALARIES & WAGES	132,658	35.2%	140,562	37.4%	169,498	42.2%	162,295	37.7%	159,848	39.5%
SUPPLIES	15,992	4.2%	15,153	4.0%	17,781	4.4%	18,170	4.2%	16,724	4.1%
REPAIRS	2,819	0.7%	1,737	0.5%	3,409	0.8%	2,563	0.6%	2,231	0.6%
DEPREC. & AMORT.	5,077	1.3%	4,168	1.1%	4,631	1.2%	6,973	1.6%	7,318	1.8%
OCCUPANCY	5,793	1.5%	5,776	1.5%	6,164	1.5%	6,894	1.6%	5,729	1.4%
EMPLOYEE BENEFITS	23,474	6.2%	21,873	5.8%	25,766	6.4%	23,151	5.4%	21,713	5.4%
CASH OVER/SHORT	137	.0%	36	.0%	29	.0%	(31)	.0%	(20)	.0%
MISCELLANEOUS	1,749	0.5%	2,004	0.5%	1,016	0.3%	840	0.2%	1,001	0.2%
TOTAL EXPENSES	187,698	49.9%	191,309	50.9%	228,297	56.8%	220,854	51.3%	214,563	53.0%
OPER. INCOME (LOSS)	56,239	14.9%	45,523	12.1%	21,282	5.3%	55,337	12.9%	44,324	10.9%
AUTOMATIC FOOD										
SALES	41,980	100.0%	37,000	100.0%	34,243	100.0%	33,456	100.0%	27,032	100.0%
COST OF SALES	34,466	82.1%	30,377	82.1%	28,422	83.0%	27,680	82.7%	22,867	84.6%
GROSS INCOME	7,514	17.9%	6,623	17.9%	5,821	17.0%	5,776	17.3%	4,166	15.4%
DEPT. EXPENSE										
SALARIES & WAGES	963	2.3%	912	2.5%	868	2.5%	739	2.2%	847	3.1%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OCCUPANCY	649	1.5%	572	1.5%	532	1.6%	583	1.7%	389	1.4%
EMPLOYEE BENEFITS	129	0.3%	122	0.3%	118	0.3%	102	0.3%	84	0.3%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	1,741	4.1%	1,607	4.3%	1,517	4.4%	1,424	4.3%	1,320	4.9%
OPER. INCOME (LOSS)	5,774	13.8%	5,016	13.6%	4,304	12.6%	4,352	13.0%	2,845	10.5%
AUTOMATIC BEVERAGE										
SALES	70,717	100.0%	67,963	100.0%	33,622	100.0%	27,403	100.0%	19,534	100.0%
COST OF SALES	64,627	82.1%	55,798	82.1%	27,604	82.1%	22,625	82.6%	16,526	84.6%
GROSS INCOME	14,090	17.9%	12,165	17.9%	6,018	17.9%	4,779	17.4%	3,008	15.4%
DEPT. EXPENSE										
SALARIES & WAGES	642	0.0%	608	0.9%	579	1.7%	492	1.8%	565	2.9%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OCCUPANCY	1,213	1.5%	1,047	1.5%	535	1.6%	489	1.8%	290	1.5%
EMPLOYEE BENEFITS	86	0.1%	82	0.1%	78	0.2%	68	0.2%	56	0.3%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	1,941	2.5%	1,737	2.6%	1,191	3.5%	1,049	3.8%	911	4.7%
OPER. INCOME (LOSS)	12,149	15.4%	10,428	15.3%	4,827	14.4%	3,729	13.6%	2,097	10.7%
SERVICE DEPTS.										
SALES	2,692	100.0%	3,427	100.0%	3,454	100.0%	3,814	100.0%	5,038	100.0%
OPER. INCOME (LOSS)	596	22.2%	628	18.3%	569	16.5%	797	20.9%	780	15.5%
TOTAL DEPTS.										
SALES	770,450	100.0%	763,119	100.0%	788,443	100.0%	861,015	100.0%	843,193	100.0%
OPER. INCOME (LOSS)	56,579	7.3%	34,864	4.5%	24,379	3.1%	60,139	7.0%	55,896	6.6%
NON. EXPN. F.O.	(37,689)	-4.9%	(32,469)	-4.3%	(37,282)	-4.7%	(42,644)	-5.0%	(38,014)	-4.5%
NON. EXPN. C.O.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DISP. ASSETS FO/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
MISC. INC. FC/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OTHER INCOME	6	.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DISP. FA/LERSE	(1,541)	-0.2%	0	0.0%	0	0.0%	0	0.0%	(2,027)	-0.2%
COUP. REDEMPTION	526	0.1%	0	0.0%	1,184	0.2%	0	0.0%	971	0.1%
MISC. NON-OP INC.	3,969	0.5%	445	0.1%	108	.0%	707	0.1%	3	.0%
INTEREST INCOME	1,303	0.2%	1,492	0.2%	2,393	0.3%	930	0.1%	0	0.0%
BANK SERVICE CHARGES	(14)	.0%	0	0.0%	(44)	.0%	0	0.0%	0	0.0%
NET INCOME	23,138	3.0%	4,032	0.5%	(9,261)	-1.2%	19,134	2.2%	16,829	2.0%

VETERANS CANTEEN SERVICE
INCOME AND EXPENSE STATEMENT - DECATUR, GA - 508

	FISCAL YEAR 1987	%	FISCAL YEAR 1986	%	FISCAL YEAR 1985	%	FISCAL YEAR 1984	%	FISCAL YEAR 1983	%
RETAIL DEPTS.										
SALES	450,401	100.0%	489,544	100.0%	490,600	100.0%	482,552	100.0%	463,135	100.0%
COST OF SALES	364,788	81.0%	394,142	80.5%	383,498	78.2%	377,612	78.3%	361,015	78.0%
GROSS INCOME	85,613	19.0%	95,402	19.5%	107,103	21.8%	104,939	21.7%	102,120	22.0%
DEPT. EXPENSE										
SALARIES & WAGES	90,670	20.1%	85,522	17.5%	85,183	17.4%	80,596	16.7%	79,108	17.1%
SUPPLIES	4,402	1.0%	2,647	0.5%	5,582	1.1%	2,628	0.5%	2,401	0.5%
REPAIRS	1,537	0.3%	1,616	0.3%	1,204	0.2%	1,989	0.4%	1,219	0.3%
DEPREC. & AMORT.	2,111	0.5%	2,301	0.5%	2,204	0.4%	1,995	0.4%	1,952	0.4%
OCCUPANCY	7,170	1.6%	7,745	1.6%	7,750	1.6%	8,378	1.7%	7,208	1.6%
EMPLOYEE BENEFITS	19,570	4.3%	11,932	2.4%	12,845	2.6%	12,442	2.6%	11,330	2.5%
CASH OVER/SHORT	385	0.1%	155	.0%	(24)	.0%	80	.0%	(2)	.0%
MISCELLANEOUS	9,981	2.2%	3,117	0.6%	3,319	0.7%	2,113	0.4%	1,833	0.4%
TOTAL EXPENSES	135,826	30.2%	115,036	23.5%	118,063	24.1%	110,021	22.8%	105,049	22.7%
OPER. INCOME (LOSS)	(50,214)	-11.1%	(19,634)	-4.0%	(10,960)	-2.2%	(5,082)	-1.1%	(2,949)	-0.6%
TRAVEL FOOD										
SALES	579,264	100.0%	566,463	100.0%	535,995	100.0%	498,329	100.0%	412,120	100.0%
COST OF SALES	214,731	37.1%	201,173	35.5%	198,210	37.0%	187,688	37.7%	160,454	38.9%
GROSS INCOME	364,533	62.9%	365,290	64.5%	337,785	63.0%	310,641	62.3%	251,666	61.1%
DEPT. EXPENSE										
SALARIES & WAGES	201,743	34.8%	205,261	36.2%	197,534	36.9%	180,266	36.2%	176,629	42.9%
SUPPLIES	44,106	7.6%	36,511	6.4%	32,905	6.1%	38,938	7.8%	30,016	7.3%
REPAIRS	3,244	0.6%	3,091	0.5%	2,628	0.5%	3,093	0.6%	2,670	0.6%
DEPREC. & AMORT.	11,769	2.0%	11,936	2.1%	11,347	2.1%	9,894	2.0%	8,599	2.1%
OCCUPANCY	8,924	1.5%	8,721	1.5%	8,246	1.5%	8,110	1.6%	5,887	1.4%
EMPLOYEE BENEFITS	42,488	7.3%	33,090	5.8%	35,232	6.6%	29,681	6.0%	28,935	7.0%
CASH OVER/SHORT	406	0.1%	(82)	.0%	(67)	.0%	86	.0%	(36)	.0%
MISCELLANEOUS	3,960	0.7%	5,262	0.9%	5,900	1.1%	6,459	1.3%	1,246	0.3%
TOTAL EXPENSES	316,641	54.7%	303,790	53.6%	293,724	54.8%	276,526	55.5%	253,949	61.6%
OPER. INCOME (LOSS)	47,893	8.3%	61,500	10.9%	44,061	8.2%	34,115	6.8%	(2,283)	-0.6%
AUTOMATIC FOOD										
SALES	82,044	100.0%	82,279	100.0%	86,177	100.0%	64,192	100.0%	72,739	100.0%
COST OF SALES	61,321	74.7%	60,592	73.6%	63,427	73.6%	44,466	69.3%	49,950	68.7%
GROSS INCOME	20,722	25.3%	21,688	26.4%	22,750	26.4%	19,726	30.7%	22,789	31.3%
DEPT. EXPENSE										
SALARIES & WAGES	299	0.4%	295	0.4%	286	0.3%	1,999	3.1%	271	0.4%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	32	.0%	80	0.1%	80	0.1%	80	0.1%	74	0.1%
OCCUPANCY	1,261	1.5%	1,263	1.5%	1,319	1.5%	1,071	1.7%	1,025	1.4%
EMPLOYEE BENEFITS	55	0.1%	52	0.1%	52	0.1%	171	0.3%	46	0.1%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	1,647	2.0%	1,689	2.1%	1,737	2.0%	3,321	5.2%	1,416	1.9%
OPER. INCOME (LOSS)	19,076	23.3%	19,998	24.3%	21,013	24.4%	16,405	25.6%	21,373	29.4%
AUTOMATIC BEVERAGE										
SALES	:0	100.0%	109,446	100.0%	119,362	100.0%	84,176	100.0%	86,626	100.0%
COST OF SALES	39,447	61.6%	61,178	55.9%	64,794	54.3%	56,001	66.5%	59,486	68.7%
GROSS INCOME	43,263	38.4%	48,268	44.1%	54,568	45.7%	28,174	33.5%	27,140	31.3%
DEPT. EXPENSE										
SALARIES & WAGES	448	0.4%	442	0.4%*	429	0.4%	414	0.5%	407	0.5%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	32	.0%	80	0.1%	80	0.1%	80	0.1%	74	0.1%
OCCUPANCY	1,749	1.5%	1,688	1.5%	1,835	1.5%	1,379	1.6%	1,268	1.5%
EMPLOYEE BENEFITS	83	0.1%	78	0.1%	78	0.1%	75	0.1%	69	0.1%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	2,305	2.0%	2,288	2.1%	2,422	2.0%	1,949	2.3%	1,819	2.1%
OPER. INCOME (LOSS)	40,958	36.3%	45,980	42.0%	52,146	43.7%	26,225	31.2%	25,321	29.2%
SERVICE DEPTS.										
SALES	17,183	100.0%	16,663	100.0%	16,907	100.0%	13,534	100.0%	11,668	100.0%
OPER. INCOME (LOSS)	2,433	14.2%	2,654	15.9%	1,857	11.0%	1,482	10.9%	2,585	22.2%
TOTAL DEPTS.										
SALES	1,241,602	100.0%	1,264,395	100.0%	1,249,041	100.0%	1,142,783	100.0%	1,046,290	100.0%
OPER. INCOME (LOSS)	60,145	4.8%	110,499	8.7%	108,118	8.7%	73,145	6.4%	44,047	4.2%
ADM. EXPN. F.O.	(57,889)	-4.7%	(53,679)	-4.2%	(55,296)	-4.4%	(54,588)	-4.8%	(44,602)	-4.3%
ADM. EXPN. C.O.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DISP. ASSETS FO/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
MISC. INC. FC/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OTHER INCOME	529	.0%	30	.0%	37	.0%	0	0.0%	19	.0%
DISP. FA/LERSE	(3,641)	-0.3%	(2,206)	-0.2%	(3,989)	-0.3%	(3,637)	-0.3%	(3,012)	-0.3%
COUP. REDEMPTION	(664)	-0.1%	50	.0%	104	.0%	0	0.0%	277	.0%
MISC. NON-OP INC.	1,765	0.1%	(4,675)	-0.4%	863	0.1%	78	.0%	220	.0%
INTEREST INCOME	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
BANK SERVICE CHARGES	(15)	.0%	(80)	.0%	(13)	.0%	0	0.0%	0	0.0%
NET INCOME	230	.0%	49,930	3.9%	49,823	4.0%	14,998	1.3%	(3,051)	-0.3%

VETERANS CANTEEN SERVICE
INCOME AND EXPENSE STATEMENT - LOMA LINDA, CA - 605

	FISCAL YEAR 1987	%	FISCAL YEAR 1986	%	FISCAL YEAR 1985	%	FISCAL YEAR 1984	%	FISCAL YEAR 1983	%
RETAIL DEPTS.										
SALES	539,387	100.0%	525,411	100.0%	553,781	100.0%	529,169	100.0%	516,013	100.0%
COST OF SALES	415,824	77.1%	408,143	77.7%	426,676	77.0%	410,424	77.6%	400,394	77.6%
GROSS INCOME	123,563	22.9%	117,269	22.3%	127,106	23.0%	118,745	22.4%	115,618	22.4%
DEPT. EXPENSE										
SALARIES & WAGES	99,250	18.4%	93,812	17.9%	89,047	16.1%	85,508	16.2%	78,419	15.2%
SUPPLIES	2,068	0.4%	1,969	0.4%	2,502	0.5%	2,067	0.4%	2,270	0.4%
REPAIRS	1,861	0.3%	1,680	0.3%	1,231	0.2%	1,167	0.2%	1,468	0.3%
DEPREC. & AMORT.	2,833	0.5%	2,632	0.5%	2,590	0.5%	2,778	0.5%	2,281	0.4%
OCCUPANCY	8,553	1.6%	8,316	1.6%	8,753	1.6%	9,482	1.8%	8,042	1.6%
EMPLOYEE BENEFITS	16,786	3.1%	12,439	2.4%	11,817	2.1%	11,609	2.2%	10,737	2.1%
CASH OVER/SHORT	(93)	.0%	(39)	.0%	(68)	.0%	(26)	.0%	(85)	.0%
MISCELLANEOUS	2,138	0.4%	2,076	0.4%	2,036	0.4%	2,615	0.5%	1,617	0.3%
TOTAL EXPENSES	133,396	24.7%	122,884	23.4%	117,907	21.3%	115,276	21.8%	104,750	20.3%
OPER. INCOME (LOSS)	(9,833)	-1.8%	(5,616)	-1.1%	9,199	1.7%	3,469	0.7%	10,869	2.1%
MANUAL FOOD										
SALES	703,674	100.0%	695,773	100.0%	673,158	100.0%	650,210	100.0%	638,277	100.0%
COST OF SALES	259,700	36.9%	262,122	37.7%	256,424	38.1%	249,921	38.4%	247,198	38.7%
GROSS INCOME	443,974	63.1%	433,651	62.3%	416,734	61.9%	400,289	61.6%	391,079	61.3%
DEPT. EXPENSE										
SALARIES & WAGES	237,094	33.7%	229,819	33.0%	220,091	32.7%	216,132	33.2%	209,470	32.8%
SUPPLIES	34,272	4.9%	29,355	4.2%	35,745	5.3%	33,423	5.1%	32,532	5.1%
REPAIRS	4,427	0.6%	3,620	0.5%	4,241	0.6%	4,053	0.6%	4,899	0.8%
DEPREC. & AMORT.	17,311	2.5%	16,382	2.4%	16,016	2.4%	15,696	2.4%	13,549	2.1%
OCCUPANCY	10,818	1.5%	10,679	1.5%	10,332	1.5%	10,652	1.6%	9,094	1.4%
EMPLOYEE BENEFITS	42,396	6.0%	35,859	5.2%	31,902	4.7%	30,101	4.6%	24,786	3.9%
CASH OVER/SHORT	26	.0%	(91)	.0%	39	.0%	48	.0%	(133)	.0%
MISCELLANEOUS	1,894	0.3%	3,790	0.5%	3,512	0.5%	3,206	0.5%	2,089	0.3%
TOTAL EXPENSES	348,237	49.5%	329,412	47.3%	321,877	47.8%	313,310	48.2%	296,287	46.4%
OPER. INCOME (LOSS)	95,737	13.6%	104,239	15.0%	94,857	14.1%	86,979	13.4%	94,793	14.9%
AUTOMATIC FOOD										
SALES	59,507	100.0%	54,735	100.0%	51,992	100.0%	52,053	100.0%	46,479	100.0%
COST OF SALES	43,916	73.8%	40,395	73.8%	38,370	73.8%	38,415	73.8%	34,275	73.7%
GROSS INCOME	15,591	26.2%	14,341	26.2%	13,622	26.2%	13,638	26.2%	12,204	26.3%
DEPT. EXPENSE										
SALARIES & WAGES	1,442	2.4%	1,388	2.5%	1,367	2.6%	1,277	2.5%	1,205	2.6%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	140	0.2%	140	0.3%	180	0.3%	180	0.3%	122	0.3%
OCCUPANCY	927	1.6%	852	1.6%	810	1.6%	909	1.7%	675	1.5%
EMPLOYEE BENEFITS	238	0.4%	200	0.4%	212	0.4%	238	0.5%	151	0.3%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	2,747	4.6%	2,580	4.7%	2,569	4.9%	2,604	5.0%	2,154	4.6%
OPER. INCOME (LOSS)	12,844	21.6%	11,761	21.5%	11,053	21.3%	11,034	21.2%	10,050	21.6%
AUTOMATIC BEVERAGE										
SALES	63,494	100.0%	61,149	100.0%	61,343	100.0%	56,181	100.0%	49,[illegible]	100.0%
COST OF SALES	48,120	75.8%	46,365	75.8%	46,655	76.1%	42,795	76.2%	[illegible]	74.5%
GROSS INCOME	15,374	24.2%	14,784	24.2%	14,688	23.9%	13,386	23.8%	[illegible]	25.5%
DEPT. EXPENSE										
SALARIES & WAGES	1,427	2.2%	1,422	2.3%	1,401	2.3%	1,247	2.2%	1,241	2.5%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	140	0.2%	140	0.2%	180	0.3%	180	0.3%	122	0.2%
OCCUPANCY	1,011	1.6%	968	1.6%	971	1.6%	974	1.7%	724	1.5%
EMPLOYEE BENEFITS	215	0.3%	200	0.3%	212	0.3%	224	0.4%	159	0.3%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	2,792	4.4%	2,730	4.5%	2,763	4.5%	2,624	4.7%	2,247	4.5%
OPER. INCOME (LOSS)	12,582	19.8%	12,054	19.7%	11,925	19.4%	10,762	19.2%	10,355	21.0%
SERVICE DEPTS.										
SALES	22,220	100.0%	29,023	100.0%	27,976	100.0%	26,621	100.0%	30,047	100.0%
OPER. INCOME (LOSS)	3,728	16.8%	3,659	12.6%	4,238	15.1%	3,540	13.3%	5,217	17.4%
TOTAL DEPTS.										
SALES	1,388,281	100.0%	1,366,092	100.0%	1,368,250	100.0%	1,314,235	100.0%	1,280,210	100.0%
OPER. INCOME (LOSS)	115,057	8.3%	126,058	9.2%	131,271	9.6%	115,783	8.8%	131,284	10.3%
NON. EXPN. F.O.	(67,622)	-4.9%	(58,171)	-4.3%	(64,865)	-4.7%	(65,491)	-5.0%	(57,717)	-4.5%
NON. EXPN. C.O.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DISP. ASSETS FO/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
MISC. INC. FC/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OTHER INCOME	0	0.0%	72	.0%	261	.0%	192	.0%	252	.0%
DISP. FA/LEASE	(6,241)	-0.4%	(692)	-0.1%	(2,671)	-0.2%	(113)	.0%	(4,846)	-0.4%
COUP. REDEMPTION	5,337	0.4%	0	0.0%	8,600	0.6%	0	0.0%	3,750	0.3%
MISC. NON-OP INC.	584	.0%	879	0.1%	386	.0%	1,418	0.1%	(15)	.0%
INTEREST INCOME	0	0.0%	190	.0%	3,030	0.2%	517	.0%	0	0.0%
BANK SERVICE CHARGES	(519)	.0%	(69)	.0%	(24)	.0%	(679)	-0.1%	0	0.0%
NET INCOME	46,597	3.4%	68,307	5.0%	75,989	5.6%	51,627	3.9%	72,716	5.7%

VETERANS CANTEEN SERVICE
INCOME AND EXPENSE STATEMENT - COLUMBIA, MO - 543

	FISCAL YEAR 1987	%	FISCAL YEAR 1986	%	FISCAL YEAR 1985	%	FISCAL YEAR 1984	%	FISCAL YEAR 1983	%
RETAIL DEPTS.										
SALES	584,592	100.0%	581,106	100.0%	612,134	100.0%	589,223	100.0%	572,584	100.0%
COST OF SALES	446,386	76.4%	450,523	77.5%	471,477	77.0%	450,388	76.4%	441,179	77.1%
GROSS INCOME	138,206	23.6%	130,583	22.5%	140,657	23.0%	138,834	23.6%	131,406	22.9%
DEPT. EXPENSE										
SALARIES & WAGES	98,526	16.9%	94,528	16.3%	101,539	16.6%	94,731	16.1%	91,833	16.0%
SUPPLIES	1,961	0.3%	1,930	0.3%	2,577	0.4%	2,123	0.4%	1,761	0.3%
REPAIRS	1,549	0.3%	1,663	0.3%	1,081	0.2%	1,371	0.2%	1,265	0.2%
DEPREC. & AMORT.	1,431	0.2%	1,453	0.3%	1,427	0.2%	1,493	0.3%	1,616	0.3%
OCCUPANCY	9,182	1.6%	9,100	1.6%	9,544	1.6%	10,278	1.7%	8,960	1.6%
EMPLOYEE BENEFITS	18,959	3.2%	13,495	2.3%	13,929	2.3%	12,529	2.1%	10,806	1.9%
CASH OVER/SHORT	(96)	.0%	(122)	.0%	(113)	.0%	(98)	.0%	(71)	.0%
MISCELLANEOUS	973	0.2%	493	0.1%	1,213	0.2%	1,429	0.2%	1,077	0.2%
TOTAL EXPENSES	132,487	22.7%	122,541	21.1%	131,197	21.4%	123,855	21.0%	117,248	20.5%
OPER. INCOME (LOSS)	5,719	1.0%	8,043	1.4%	9,460	1.5%	14,980	2.5%	14,158	2.5%
MANUAL FOOD										
SALES	552,190	100.0%	537,510	100.0%	550,535	100.0%	543,959	100.0%	494,412	100.0%
COST OF SALES	199,651	36.2%	197,673	36.8%	205,083	37.3%	204,662	37.6%	182,303	36.9%
GROSS INCOME	352,540	63.8%	339,837	63.2%	345,452	62.7%	339,291	62.4%	312,109	63.1%
DEPT. EXPENSE										
SALARIES & WAGES	195,436	35.4%	196,894	36.6%	190,443	34.6%	181,679	33.4%	170,024	34.4%
SUPPLIES	28,376	5.1%	27,179	5.1%	25,046	4.5%	30,594	5.6%	26,225	5.3%
REPAIRS	3,134	0.6%	4,861	0.9%	3,208	0.6%	3,450	0.6%	3,352	0.7%
DEPREC. & AMORT.	7,567	1.4%	6,926	1.3%	6,235	1.1%	6,741	1.2%	7,393	1.5%
OCCUPANCY	8,518	1.5%	8,276	1.5%	8,448	1.5%	8,953	1.6%	6,972	1.4%
EMPLOYEE BENEFITS	36,809	6.7%	30,852	5.7%	33,219	6.0%	25,003	4.6%	21,592	4.4%
CASH OVER/SHORT	(66)	.0%	16	.0%	(5)	.0%	(47)	.0%	(84)	.0%
MISCELLANEOUS	794	0.1%	2,015	0.4%	1,053	0.2%	1,874	0.3%	4,094	0.8%
TOTAL EXPENSES	280,569	50.8%	277,020	51.5%	267,648	48.6%	258,248	47.5%	239,508	48.4%
OPER. INCOME (LOSS)	71,971	13.0%	62,817	11.7%	77,805	14.1%	81,043	14.9%	72,601	14.7%
AUTOMATIC FOOD										
SALES	39,203	100.0%	33,972	100.0%	29,531	100.0%	34,238	100.0%	32,339	100.0%
COST OF SALES	31,363	80.0%	30,629	90.2%	27,346	92.6%	31,807	92.9%	29,988	92.7%
GROSS INCOME	7,841	20.0%	3,343	9.8%	2,185	7.4%	2,430	7.1%	2,351	7.3%
DEPT. EXPENSE										
SALARIES & WAGES	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OCCUPANCY	618	1.6%	537	1.6%	468	1.6%	627	1.8%	460	1.4%
EMPLOYEE BENEFITS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	618	1.6%	537	1.6%	468	1.6%	627	1.8%	460	1.4%
OPER. INCOME (LOSS)	7,222	18.4%	2,806	8.3%	1,717	5.8%	1,804	5.3%	1,891	5.8%
AUTOMATIC BEVERAGE										
SALES	58,072	100.0%	45,447	100.0%	41,734	100.0%	37,975	100.0%	40,212	100.0%
COST OF SALES	46,458	80.0%	39,212	86.3%	36,5[illegible]	[illegible]%	33,133	87.3%	35,044	87.1%
GROSS INCOME	11,614	20.0%	6,234	13.7%	5,1[illegible]	[illegible]%	4,842	12.7%	5,167	12.9%
DEPT. EXPENSE										
SALARIES & WAGES	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OCCUPANCY	923	1.6%	726	1.6%	667	1.6%	685	1.8%	585	1.5%
EMPLOYEE BENEFITS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	923	1.6%	726	1.6%	667	1.6%	685	1.8%	585	1.5%
OPER. INCOME (LOSS)	10,691	18.4%	5,508	12.1%	4,522	10.8%	4,157	10.9%	4,583	11.4%
SERVICE DEPTS.										
SALES	10,584	100.0%	10,435	100.0%	10,587	100.0%	14,966	100.0%	10,050	100.0%
OPER. INCOME (LOSS)	1,845	17.4%	1,832	17.6%	2,329	22.0%	2,365	15.8%	1,408	14.0%
TOTAL DEPTS.										
SALES	1,244,641	100.0%	1,208,469	100.0%	1,244,522	100.0%	1,220,355	100.0%	1,149,597	100.0%
OPER. INCOME (LOSS)	97,449	7.8%	81,006	6.7%	95,833	7.7%	104,348	8.6%	94,642	8.2%
NON. EXPN. F.O.	(57,730)	-4.6%	(51,145)	-4.2%	(54,964)	-4.4%	(58,546)	-4.8%	(49,006)	-4.3%
NON. EXPN. C.O.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DISP. ASSETS FO/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
MISC. INC. FC/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OTHER INCOME	0	0.0%	0	0.0%	10	.0%	10	.0%	0	0.0%
DISP. FA/LERSE	(1,421)	-0.1%	(932)	-0.1%	0	0.0%	438	.0%	(1,733)	-0.2%
COUP. REDEMPTION	433	.0%	0	0.0%	502	.0%	0	0.0%	529	.0%
MISC. NON-OP INC.	678	0.1%	(3,292)	-0.3%	2,835	0.2%	1,077	0.1%	407	.0%
INTEREST INCOME	1,695	0.1%	1,961	0.2%	2,719	0.2%	896	0.1%	0	0.0%
BANK SERVICE CHARGES	(5)	.0%	7	.0%	0	0.0%	(52)	.0%	0	0.0%
NET INCOME	41,098	3.3%	27,606	2.3%	46,935	3.8%	48,171	3.9%	44,838	3.9%

VETERANS CANTEEN SERVICE
INCOME AND EXPENSE STATEMENT - BILOXI, MS - 520

	FISCAL YEAR 1987	%	FISCAL YEAR 1986	%	FISCAL YEAR 1985	%	FISCAL YEAR 1984	%	FISCAL YEAR 1983	%
RETAIL DEPTS.										
SALES	690,162	100.0%	805,696	100.0%	878,495	100.0%	921,200	100.0%	998,639	100.0%
COST OF SALES	524,354	76.0%	613,898	76.2%	667,745	76.0%	696,563	75.6%	744,281	74.5%
GROSS INCOME	165,808	24.0%	191,800	23.8%	210,750	24.0%	224,638	24.4%	254,356	25.5%
DEPT. EXPENSE										
SALARIES & WAGES	158,375	22.9%	166,449	20.7%	177,980	20.3%	159,750	17.3%	151,583	15.2%
SUPPLIES	2,796	0.4%	6,918	0.9%	3,813	0.4%	4,837	0.5%	4,098	0.4%
REPAIRS	1,898	0.3%	2,100	0.3%	2,269	0.3%	2,354	0.3%	2,600	0.3%
DEPREC. & AMORT.	3,048	0.4%	3,511	0.4%	3,301	0.4%	3,206	0.3%	4,272	0.4%
OCCUPANCY	10,784	1.6%	12,537	1.6%	13,773	1.6%	15,731	1.7%	15,518	1.6%
EMPLOYEE BENEFITS	24,043	3.5%	22,631	2.8%	24,616	2.8%	20,824	2.3%	18,594	1.9%
CASH OVER/SHORT	236	.0%	174	.0%	130	.0%	146	.0%	26	.0%
MISCELLANEOUS	4,136	0.6%	4,435	0.6%	4,048	0.5%	3,391	0.4%	2,916	0.3%
TOTAL EXPENSES	205,316	29.7%	218,754	27.2%	230,006	26.2%	210,239	22.8%	199,577	20.0%
OPER. INCOME (LOSS)	(39,508)	-5.7%	(26,953)	-3.3%	(19,256)	-2.2%	14,399	1.6%	54,780	5.5%
MANUAL FOOD										
SALES	393,947	100.0%	380,011	100.0%	419,520	100.0%	386,988	100.0%	389,759	100.0%
COST OF SALES	141,143	35.8%	129,899	34.2%	156,409	37.3%	146,590	37.9%	156,851	40.2%
GROSS INCOME	252,804	64.2%	250,112	65.8%	263,111	62.7%	240,398	62.1%	232,907	59.8%
DEPT. EXPENSE										
SALARIES & WAGES	159,436	40.5%	154,676	40.7%	156,381	37.3%	142,980	36.9%	135,566	34.8%
SUPPLIES	25,293	6.4%	23,871	6.3%	23,545	5.6%	24,464	6.3%	23,270	6.0%
REPAIRS	4,262	1.1%	3,677	1.0%	5,307	1.3%	3,628	0.9%	3,156	0.8%
DEPREC. & AMORT.	10,567	2.7%	9,760	2.6%	8,196	2.0%	8,064	2.1%	10,412	2.7%
OCCUPANCY	6,154	1.6%	5,951	1.6%	6,606	1.6%	6,714	1.7%	5,538	1.4%
EMPLOYEE BENEFITS	28,805	7.3%	23,041	6.1%	23,404	5.6%	21,330	5.5%	21,057	5.4%
CASH OVER/SHORT	50	.0%	60	.0%	15	.0%	(5)	.0%	(16)	.0%
MISCELLANEOUS	3,467	0.9%	4,119	1.1%	3,902	0.9%	3,707	1.0%	3,994	1.0%
TOTAL EXPENSES	238,034	60.4%	225,156	59.2%	227,356	54.2%	210,883	54.5%	202,976	52.1%
OPER. INCOME (LOSS)	14,770	3.7%	24,956	6.6%	35,755	8.5%	29,515	7.6%	29,929	7.7%
AUTOMATIC FOOD										
SALES	54,434	100.0%	56,872	100.0%	58,134	100.0%	57,691	100.0%	54,817	100.0%
COST OF SALES	39,039	71.7%	41,012	72.1%	41,547	71.5%	43,749	75.8%	48,966	89.3%
GROSS INCOME	15,396	28.3%	15,861	27.9%	16,588	28.5%	13,942	24.2%	5,851	10.7%
DEPT. EXPENSE										
SALARIES & WAGES	684	1.3%	338	0.6%	380	0.7%	581	1.0%	424	0.8%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	21	.0%
OCCUPANCY	848	1.6%	885	1.6%	913	1.6%	1,140	2.0%	778	1.4%
EMPLOYEE BENEFITS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	1,532	2.8%	1,223	2.1%	1,293	2.2%	1,721	3.0%	1,223	2.2%
OPER. INCOME (LOSS)	13,864	25.5%	14,638	25.7%	15,295	26.3%	12,221	21.2%	4,627	8.4%
AUTOMATIC BEVERAGE										
SALES	109,701	100.0%	122,801	100.0%	151,241	100.0%	143,689	100.0%	145,259	100.0%
COST OF SALES	73,263	[illegible]	80,968	65.9%	96,773	64.0%	97,429	67.8%	112,579	77.5%
GROSS INCOME	36,438	[illegible]	41,833	34.1%	54,467	36.0%	46,259	32.2%	32,681	22.5%
DEPT. EXPENSE										
SALARIES & WAGES	2,028	1.8%	797	0.6%	1,140	0.8%	1,109	0.8%	1,271	0.9%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	21	.0%
OCCUPANCY	1,700	1.5%	1,894	1.5%	2,337	1.5%	2,213	1.5%	2,157	1.5%
EMPLOYEE BENEFITS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	3,728	3.4%	2,691	2.2%	3,477	2.3%	3,321	2.3%	3,450	2.4%
OPER. INCOME (LOSS)	32,711	29.8%	39,142	31.9%	50,991	33.7%	42,938	29.9%	29,231	20.1%
SERVICE DEPTS.										
SALES	46,073	100.0%	45,561	100.0%	56,527	100.0%	57,419	100.0%	64,066	100.0%
OPER. INCOME (LOSS)	4,678	10.2%	2,859	6.3%	5,846	10.3%	5,785	10.1%	7,246	11.3%
TOTAL DEPTS.										
SALES	1,294,318	100.0%	1,410,943	100.0%	1,563,918	100.0%	1,566,987	100.0%	1,652,540	100.0%
OPER. INCOME (LOSS)	26,513	2.0%	54,640	3.9%	88,630	5.7%	104,858	6.7%	125,814	7.6%
ADM. EXPN. F.O.	(59,893)	-4.6%	(60,406)	-4.3%	(69,000)	-4.4%	(75,128)	-4.8%	(70,446)	-4.3%
ADM. EXPN. C.O.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DISP. ASSETS FO/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
MISC. INC. FC/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OTHER INCOME	0	0.0%	0	0.0%	0	0.0%	0	0.0%	1	.0%
DISP. FA/LERSE	(3,575)	-0.3%	25	.0%	(448)	.0%	(522)	.0%	(1,644)	-0.1%
COUP. REDEMPTION	778	0.1%	0	0.0%	2,299	0.1%	0	0.0%	675	.0%
MISC. NON-OP INC.	(997)	.0%	1,107	0.1%	67	.0%	735	.0%	786	.0%
INTEREST INCOME	1,726	0.1%	2,275	0.2%	3,099	0.2%	1,526	0.1%	0	0.0%
BANK SERVICE CHARGES	(34)	.0%	(27)	.0%	(14)	.0%	(13)	.0%	0	0.0%
NET INCOME	(34,883)	-2.7%	(2,386)	-0.2%	24,634	1.6%	31,457	2.0%	55,185	3.3%

VETERANS CANTEEN SERVICE
INCOME AND EXPENSE STATEMENT - SEATTLE, WA - 663

	FISCAL YEAR 1987	%	FISCAL YEAR 1986	%	FISCAL YEAR 1985	%	FISCAL YEAR 1984	%	FISCAL YEAR 1983	%
RETAIL DEPTS.										
SALES	532,430	100.0%	499,091	100.0%	516,296	100.0%	536,970	100.0%	527,218	100.0%
COST OF SALES	413,424	77.6%	391,629	78.5%	409,723	79.4%	417,397	77.7%	427,164	81.0%
GROSS INCOME	119,005	22.4%	107,462	21.5%	106,573	20.6%	119,573	22.3%	100,053	19.0%
DEPT. EXPENSE										
SALARIES & WAGES	92,790	17.4%	117,368	23.5%	121,542	23.5%	84,873	15.8%	88,437	16.8%
SUPPLIES	1,956	0.4%	4,706	0.9%	1,617	0.3%	1,981	0.4%	2,374	0.5%
REPAIRS	2,109	0.4%	2,438	0.5%	1,638	0.3%	2,557	0.5%	1,663	0.3%
DEPREC. & AMORT.	3,885	0.7%	4,283	0.9%	4,177	0.8%	3,834	0.7%	2,696	0.5%
OCCUPANCY	8,529	1.6%	7,960	1.6%	8,186	1.6%	9,532	1.8%	8,200	1.6%
EMPLOYEE BENEFITS	15,339	2.9%	15,622	3.1%	16,933	3.3%	11,633	2.2%	11,424	2.2%
CASH OVER/SHORT	94	.0%	300	0.1%	(57)	.0%	(66)	.0%	210	.0%
MISCELLANEOUS	3,909	0.7%	12,830	2.6%	1,336	0.3%	5,463	1.0%	1,038	0.2%
TOTAL EXPENSES	128,611	24.2%	165,504	33.2%	155,371	30.1%	119,508	22.3%	116,242	22.0%
OPER. INCOME (LOSS)	(9,605)	-1.8%	(58,041)	-11.6%	(48,798)	-9.5%	65	.0%	(16,189)	-3.1%
MANUAL FOOD										
SALES	882,341	100.0%	832,691	100.0%	795,988	100.0%	679,550	100.0%	589,032	100.0%
COST OF SALES	320,373	36.3%	310,888	37.3%	301,391	37.9%	268,215	39.5%	226,756	38.5%
GROSS INCOME	561,968	63.7%	521,803	62.7%	494,597	62.1%	411,335	60.5%	362,276	61.5%
DEPT. EXPENSE										
SALARIES & WAGES	389,966	44.2%	331,855	39.9%	286,175	36.0%	277,077	40.8%	240,437	40.8%
SUPPLIES	44,784	5.1%	63,550	7.6%	56,359	7.1%	46,831	6.9%	44,276	7.5%
REPAIRS	2,658	0.3%	3,581	0.4%	4,246	0.5%	3,659	0.5%	6,641	1.1%
DEPREC. & AMORT.	32,785	3.7%	26,377	3.2%	25,150	3.2%	17,353	2.6%	14,880	2.5%
OCCUPANCY	13,543	1.5%	12,754	1.5%	12,172	1.5%	11,051	1.6%	8,351	1.4%
EMPLOYEE BENEFITS	71,345	8.1%	49,839	6.0%	38,435	4.8%	34,938	5.1%	29,964	5.1%
CASH OVER/SHORT	67	.0%	46	.0%	(68)	.0%	(117)	.0%	84	.0%
MISCELLANEOUS	2,721	0.3%	3,665	0.4%	3,201	0.4%	3,997	0.6%	2,620	0.4%
TOTAL EXPENSES	557,870	63.2%	491,667	59.0%	425,670	53.5%	394,790	58.1%	347,254	59.0%
OPER. INCOME (LOSS)	4,098	0.5%	30,136	3.6%	68,928	8.7%	16,545	2.4%	15,021	2.6%
AUTOMATIC FOOD										
SALES	85,583	100.0%	73,295	100.0%	44,454	100.0%	31,637	100.0%	30,676	100.0%
COST OF SALES	59,660	69.7%	51,108	69.7%	32,407	72.9%	24,067	76.1%	23,513	76.6%
GROSS INCOME	25,923	30.3%	22,187	30.3%	12,047	27.1%	7,570	23.9%	7,163	23.4%
DEPT. EXPENSE										
SALARIES & WAGES	3,736	4.4%	6,938	9.5%	3,020	6.8%	1,988	6.3%	2,284	7.4%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	275	0.3%	248	0.3%	229	0.5%	229	0.7%	210	0.7%
OCCUPANCY	1,324	1.5%	1,133	1.5%	697	1.6%	590	1.9%	443	1.4%
EMPLOYEE BENEFITS	691	0.8%	1,132	1.5%	472	1.1%	264	0.8%	274	0.9%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	6,025	7.0%	9,450	12.9%	4,417	9.9%	3,071	9.7%	3,210	10.5%
OPER. INCOME (LOSS)	19,897	23.2%	12,736	17.4%	7,629	17.2%	4,498	14.2%	3,953	12.9%
AUTOMATIC BEVERAGE										
SALES	86,697	100.0%	49,208	100.0%	28,729	100.0%	21,938	100.0%	19,464	100.0%
COST OF SALES	65,463	75.5%	32,731	66.5%	18,972	66.0%	15,372	70.1%	13,624	70.0%
GROSS INCOME	21,234	24.5%	16,477	33.5%	9,757	34.0%	6,566	29.9%	5,839	30.0%
DEPT. EXPENSE										
SALARIES & WAGES	3,946	4.6%	3,347	6.8%	2,775	9.7%	1,998	9.1%	2,379	12.2%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	275	0.3%	248	0.5%	229	0.8%	229	1.0%	210	1.1%
OCCUPANCY	1,369	1.6%	793	1.6%	481	1.7%	441	2.0%	286	1.5%
EMPLOYEE BENEFITS	742	0.9%	544	1.1%	409	1.4%	268	1.2%	285	1.5%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	6,332	7.3%	4,932	10.0%	3,893	13.6%	2,935	13.4%	3,159	16.2%
OPER. INCOME (LOSS)	14,902	17.2%	11,546	23.5%	5,864	20.4%	3,632	16.6%	2,680	13.8%
SERVICE DEPTS.										
SALES	41,382	100.0%	35,935	100.0%	41,130	100.0%	46,674	100.0%	43,597	100.0%
OPER. INCOME (LOSS)	4,668	11.3%	4,510	12.5%	3,109	7.6%	5,143	11.0%	3,357	7.7%
TOTAL DEPTS.										
SALES	1,528,432	100.0%	1,490,219	100.0%	1,426,597	100.0%	1,316,769	100.0%	1,209,986	100.0%
OPER. INCOME (LOSS)	33,959	2.1%	886	0.1%	36,732	2.6%	29,884	2.3%	8,822	0.7%
ADM. EXPN. F.O.	(79,490)	-4.9%	(63,448)	-4.3%	(67,712)	-4.7%	(65,-52)	-5.0%	(54,550)	-4.5%
ADM. EXPN. C.O.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DISP. ASSETS FO/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
MISC. INC. FC/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OTHER INCOME	0	0.0%	0	0.0%	0	0.0%	3	.0%	3	.0%
DISP. FA/LEASE	(7,551)	-0.5%	(4,900)	-0.3%	0	0.0%	(488)	.0%	(3,797)	-0.3%
COUP. REDEMPTION	1,172	0.1%	(25)	.0%	(530)	.0%	0	0.0%	1,084	-0.3%
MISC. NON-OP INC.	(1,699)	-0.1%	993	0.1%	1,232	0.1%	980	0.1%	715	0.1%
INTEREST INCOME	2,612	0.2%	2,910	0.2%	2,682	0.2%	882	0.1%		0.1%
BANK SERVICE CHARGES	0	0.0%	0	0.0%	(323)	.0%	(1,037)	-0.1%	0	0.0%
NET INCOME	(50,997)	-3.1%	(63,584)	-4.3%	(27,920)	-2.0%	(35,129)	-2.7%	(47,723)	-3.9%

VETERANS CANTEEN SERVICE
INCOME AND EXPENSE STATEMENT - BOISE, ID 531

	FISCAL YEAR 1987	%	FISCAL YEAR 1986	%	FISCAL YEAR 1985	%	FISCAL YEAR 1984	%	FISCAL YEAR 1983	%
RETAIL DEPTS.										
SALES	175,239	100.0%	208,340	100.0%	217,533	100.0%	214,690	100.0%	208,383	100.0%
COST OF SALES	141,563	80.8%	170,275	81.7%	172,685	79.4%	166,555	77.6%	161,473	77.5%
GROSS INCOME	33,676	19.2%	38,065	18.3%	44,848	20.6%	48,136	22.4%	46,910	22.5%
DEPT. EXPENSE										
SALARIES & WAGES	35,070	20.0%	38,538	18.5%	39,245	18.0%	37,743	17.6%	35,110	16.8%
SUPPLIES	741	0.4%	845	0.4%	149	0.1%	806	0.4%	969	0.5%
REPAIRS	1,223	0.7%	587	0.3%	529	0.2%	933	0.4%	598	0.3%
DEPREC. & AMORT.	751	0.4%	1,070	0.5%	1,112	0.5%	1,124	0.5%	1,058	0.5%
OCCUPANCY	2,762	1.6%	3,261	1.6%	3,389	1.6%	3,693	1.7%	5,845	2.8%
EMPLOYEE BENEFITS	5,868	3.3%	5,799	2.8%	6,056	2.8%	5,650	2.6%	4,655	2.2%
CASH OVER/SHORT	(11)	.0%	48	.0%	183	0.1%	174	0.1%	109	0.1%
MISCELLANEOUS	768	0.4%	219	0.1%	57	.0%	1,596	0.7%	1,295	0.6%
TOTAL EXPENSES	47,172	26.9%	50,366	24.2%	50,715	23.3%	51,718	24.1%	49,622	23.8%
OPER. INCOME (LOSS)	(13,496)	-7.7%	(12,301)	-5.9%	(5,867)	-2.7%	(3,583)	-1.7%	(2,713)	-1.3%
MANUAL FOOD										
SALES	194,611	100.0%	189,535	100.0%	175,759	100.0%	160,286	100.0%	139,762	100.0%
COST OF SALES	74,165	38.1%	71,088	37.5%	69,394	39.5%	66,182	41.3%	52,649	37.7%
GROSS INCOME	120,446	61.9%	118,448	62.5%	106,365	60.5%	94,104	58.7%	87,113	62.3%
DEPT. EXPENSE										
SALARIES & WAGES	54,266	27.9%	48,352	25.5%	55,589	31.6%	53,956	33.7%	49,426	35.4%
SUPPLIES	7,751	4.0%	7,640	4.0%	8,792	5.0%	8,681	5.4%	7,697	5.5%
REPAIRS	1,283	0.7%	946	0.5%	1,517	0.9%	1,044	0.7%	588	0.4%
DEPREC. & AMORT.	2,760	1.4%	4,043	2.1%	4,008	2.3%	4,011	2.5%	3,757	2.7%
OCCUPANCY	2,995	1.5%	2,918	1.5%	2,703	1.5%	2,651	1.7%	1,990	1.4%
EMPLOYEE BENEFITS	10,577	5.4%	7,838	4.1%	8,473	4.8%	8,293	5.2%	7,419	5.3%
CASH OVER/SHORT	189	0.1%	58	.0%	94	0.1%	96	0.1%	(95)	-0.1%
MISCELLANEOUS	129	0.1%	828	0.4%	60	.0%	640	0.4%	252	0.2%
TOTAL EXPENSES	79,949	41.1%	72,624	38.3%	81,236	46.2%	79,372	49.5%	71,041	50.8%
OPER. INCOME (LOSS)	40,497	20.8%	45,824	24.2%	25,129	14.3%	14,732	9.2%	16,072	11.5%
AUTOMATIC FOOD										
SALES	14,617	100.0%	13,273	100.0%	11,855	100.0%	12,712	100.0%	12,266	100.0%
COST OF SALES	13,406	91.7%	12,094	91.1%	10,858	91.6%	11,174	87.9%	10,887	88.8%
GROSS INCOME	1,211	8.3%	1,178	8.9%	997	8.4%	1,538	12.1%	1,379	11.2%
DEPT. EXPENSE										
SALARIES & WAGES	166	1.1%	413	3.1%	394	3.3%	534	4.2%	586	4.8%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OCCUPANCY	229	1.6%	209	1.6%	186	1.6%	229	1.8%	173	1.4%
EMPLOYEE BENEFITS	31	0.2%	62	0.5%	62	0.5%	96	0.8%	117	1.0%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	426	2.9%	683	5.1%	642	5.4%	859	6.8%	876	7.1%
OPER. INCOME (LOSS)	785	5.4%	496	3.7%	356	3.0%	679	5.3%	504	4.1%
AUTOMATIC BEVERAGE										
SALES	15,734	100.0%	13,726	100.0%	13,465	100.0%	12,734	100.0%	12,535	100.0%
COST OF SALES	10,888	69.2%	9,722	70.8%	9,599	71.3%	9,014	71.1%	9,379	74.8%
GROSS INCOME	4,846	30.8%	4,004	29.2%	3,866	28.7%	3,630	28.9%	3,156	25.2%
DEPT. EXPENSE										
SALARIES & WAGES	166	1.1%	412	3.0%	394	2.9%	534	4.0%	586	4.7%
REPAIRS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DEPREC. & AMORT.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OCCUPANCY	253	1.6%	222	1.6%	216	1.6%	236	1.8%	181	1.4%
EMPLOYEE BENEFITS	31	0.2%	62	0.4%	62	0.5%	96	0.7%	117	0.9%
MISCELLANEOUS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL EXPENSES	450	2.9%	696	5.1%	672	5.0%	866	6.5%	883	7.0%
OPER. INCOME (LOSS)	4,397	27.9%	3,308	24.1%	3,194	23.7%	2,964	22.4%	2,272	18.1%
SERVICE DEPTS.										
SALES	2,382	100.0%	1,832	100.0%	1,914	100.0%	2,822	100.0%	2,823	100.0%
OPER. INCOME (LOSS)	500	21.0%	408	22.3%	383	20.0%	810	28.7%	574	20.3%
TOTAL DEPTS.										
SALES	402,583	100.0%	426,706	100.0%	420,526	100.0%	403,744	100.0%	375,769	100.0%
OPER. INCOME (LOSS)	32,682	8.1%	37,734	8.8%	23,194	5.5%	15,603	3.9%	16,710	4.4%
ADM. EXPN. F.O.	(19,590)	-4.9%	(18,134)	-4.2%	(19,874)	-4.7%	(20,074)	-5.0%	(16,941)	-4.5%
ADM. EXPN. C.O.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
DISP. ASSETS FO/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
MISC. INC. FC/CO	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OTHER INCOME	0	0.0%	1	.0%	0	0.0%	0	0.0%	0	0.0%
DISP. FA/LEASE	(720)	-0.2%	129	.0%	0	0.0%	(176)	.0%	(1,093)	-0.3%
COUP. REDEMPTION	1,118	0.3%	0	0.0%	(783)	-0.2%	0	0.0%	1,367	0.4%
MISC. NON-OP INC.	1,308	0.3%	385	0.1%	47	.0%	739	0.2%	647	0.2%
INTEREST INCOME	736	0.2%	886	0.2%	1,179	0.3%	431	0.1%	0	0.0%
BANK SERVICE CHARGES	(709)	-0.2%	(748)	-0.2%	(680)	-0.2%	(266)	-0.1%	0	0.0%
NET INCOME	14,824	3.7%	20,254	4.7%	3,083	0.7%	(3,704)	-0.9%	690	0.2%

Attachment 23a

Canteens Discontinuing Tobacco Sales In FY 1987 or Early FY 1988

	CANTEEN	DATE DISCONTINUED
1.	Albany #500	9/1/87
2.	Amarillo #504	8/1/87
3.	Baltimore #512	12/1/87
4.	Charleston #534	10/1/87
5.	Denver #554	10/1/87
6.	Gainesville #573	10/1/87
7.	Madison #607	3/1/87
8.	Minneapolis #618	4/1/87
9.	San Diego #664	10/1/87
10.	Tampa #673	10/1/87

Attachment 23D

INCOME AND EXPENSE STATEMENTS

OF DECEMBER 31, 1987

FOR

TEN CANTEENS WHICH DISCONTINUED

TOBACCO SALES

1. Albany #500. Albany's decrease in net income for the quarter of $29,150 is primarily attributable to a decrease of $23,773 in retail gross income (drop of $62,318 in tobacco sales), a decrease of $2,070 in vending income and an increase of $2,922 in administrative and accounting expenses. It is believed that most of Albany's projected annual decrease in profits from loss of tobacco sales could be offset by elimination of unprofitable weekend hours of operation.

2. Amarillo #504. Even with loss of tobacco sales ($6,782), Amarillo was able to reduce prior year net loss by $2,723 with increases in retail, cafeteria and vending sales (due in large part to a successful canteen remodeling).

3. Baltimore #512. Even with loss of tobacco sales (7,497), Baltimore increased its net income by $1,399 with sales increases in retail, cafeteria, vending, and service departments.

4. Charleston #534. In spite of a $19,952 drop in tobacco sales, Charleston has been able to maintain its loftly income level with $19,608 or 7.2% through 12/31/87 compared to $20,940 or 7.3% in the prior year. Charleston was able to offset most of the $2,522 decrease in retail gross income with a $1,926 increase in cafeteria gross income.

5. Denver #554. Denver's decrease in net income for the quarter of $4,841 is primarily attributable to a decrease of $9,364 in retail gross income (drop of $23,310 in tobacco sales) which was not completely offset by improvements in other canteen departments.

6. Gainesville #573. Gainesville's decrease in net income for the quarter of $14,423 is primarily attributable to a decrease of $20,688 in retail gross income (drop of $47,646 in tobacco sales) which was not completely offset by an increase in cafeteria gross income ($3,558) and a decrease in salary and benefit cost ($4,870).

7. Madison #607. Madison's decrease in net income for the quarter of $3,718 is primarily attributable to a decrease of $5,220 in retail gross income (drop of $15,023 in tobacco sales) which was not completely offset by improving cafeteria profitability.

8. Minneapolis #618. Minneapolis's decrease in net income for the quarter of $11,815 is primarily attributable to a decrease of $17,814 in retail gross income (drop of $32,351 in tobacco sales) and temporary canteen locations while the new hospital was being built. With opening of the new canteen in March 1988, the canteen's financial picture is expected to be much improved even without tobacco.

9. San Diego #664. Even with loss of tobacco sales ($25,870), San Diego increased quarterly net income by $15,397. The decrease in retail gross income of $5,355 was more than offset by increases in cafeteria gross income ($17,383) and improvements in service department profitability ($5,301).

10. Tampa #673. Tampa's decrease in net income for the quarter of $6,315 is primarily attributable to a decrease of $15,000 in retail gross income (drop of $38,213 in tobacco sales) which was partially offset by a reduction in salary and benefit cost ($8,338) from closing the canteen on Sundays.

As can be seen above, the financial impact of losing tobacco sales on individual canteens is varied and dependent largely on the volume of tobacco sales being lost and the actions taken by VCS and VAMC's to offset resulting lost income. To date most canteens discontinuing tobacco sales have not had relatively high tobacco sales volume. As more canteens with high tobacco sales volume come into question, timely implementation of

action plans to offset lost tobacco income will become increasingly important. Some prices were raised by VCS in January 1988, to help offset lost tobacco income, however, prices can only be raised so much before having a negative financial impact as customers are lost to nearby competition. Also the VCS mandate in Title 38 "to provide veterans receiving medical treatment at VAMC's with reasonably priced merchandise and services essential to their comfort and well-being" must be considered. Much harder decisions on reduction of non-profitable hours of operation and resultant personnel reductions will have to be faced.

VETERAN CANTEEN SERVICE
INCOME & EXPENSE SUMMARY

500 ALBANY

		CURRENT MONTH ACTUAL (DOLLARS)	PCT OF SALES	BUDGET (DOLLARS)	PRIOR FY (DOLLARS)	PCT OF SALES	FISCAL YEAR-TO-DATE ACTUAL (DOLLARS)	PCT OF SALES	BUDGET (DOLLARS)	PRIOR FY (DOLLARS)	PCT OF SALES
RETAIL DEPTS											
SALES	A	99	0.0	3	20,899	15.0	219	0.0	0	62,937	19.4
	B	19,831	16.9	15,960	16,632	11.9	47,336	17.6	48,292	41,9[illegible]	13.0
	C	63,402	53.6	54,825	56,053	43.3	127,542	47.4	107,181	109,581	34.1
	E	36,533	31.2	45,862	45,272	32.6	93,360	34.8	108,658	107,063	33.3
	TOTAL	116,864	100.0	116,649	138,858	100.0	268,717	100.0	255,932	321,172	100.0
GROSS INC.	A	19	19.4	3	7,285	34.8	65	29.9	0	21,938	35.0
	B	4,037	20.3	3,663	3,395	20.4	10,845	22.8	9,247	9,302	22.1
	C	10,792	17.0	10,467	11,307	20.1	24,564	19.3	20,649	23,347	21.8
	E	7,623	20.8	10,841	11,137	24.6	22,136	23.6	25,539	26,896	25.1
	TOTAL	22,473	19.2	24,965	33,120	23.8	57,711	21.4	55,337	81,484	25.3
SALARIES		9,589	8.2	14,025	12,915	9.3	20,295	7.5	34,501	36,372	11.3
EMPLOYEE BENEFITS		905	0.7	3,266	1,578	1.1	3,252	1.2	7,165	4,670	1.4
SUPPLIES		530	0.4	524	62	0.0	1,870	0.6	1,151	1,216	0.3
* MISCELLANEOUS OPER. INCOME		2,196	1.8	3,183	2,891	2.0	6,077	2.2	7,595	6,932	2.1
		13,252	11.3	3,964	15,673	11.2	26,256	9.7	771	32,293	10.0
HANDEL FOOD											
SALES		52,574	100.0	49,850	48,744	100.0	157,428	100.0	153,245	149,621	100.0
GROSS INC.		32,704	62.2	31,810	30,829	63.2	100,487	63.8	97,770	92,542	61.8
SALARIES		13,729	26.1	18,582	13,704	28.1	41,430	26.3	57,114	40,613	27.1
EMPLOYEE BENEFITS		3,368	6.4	3,454	2,270	4.6	10,300	6.5	10,515	6,634	4.4
SUPPLIES		4,119	7.8	2,964	5,634	11.5	10,535	6.6	9,109	14,294	9.5
* MISCELLANEOUS OPER. INCOME		2,048	3.9	3,293	2,574	5.2	6,364	4.1	8,709	7,663	5.1
		9,396	17.8	3,519	6,645	13.6	31,657	20.1	12,220	23,336	15.5
AUTOMATIC FOOD											
SALES		4,548	100.0	5,343	5,237	100.0	14,985	100.0	19,200	18,743	100.0
GROSS INC.		762	16.7	353	797	15.2	2,507	16.7	1,515	2,995	15.9
**MISCELLANEOUS OPER. INCOME		73	1.6	173	83	1.6	239	1.6	611	297	1.5
		689	15.1	183	713	13.6	2,267	15.1	904	2,697	14.3
AUTOMATIC BEV.											
SALES		5,621	100.0	5,597	5,729	100.0	16,548	100.0	21,136	21,636	100.0
GROSS INC.		1,847	32.8	1,522	1,893	33.0	5,434	32.8	9,749	7,215	33.3
**MISCELLANEOUS OPER. INCOME		132	2.3	199	138	2.4	487	2.4	757	548	2.5
		1,714	30.5	1,322	1,754	30.6	5,027	30.3	4,991	6,667	30.8
SERVICE DEPTS											
SALES		5,130	100.0	5,485	5,667	100.0	14,796	100.0	15,713	16,210	100.0
GROSS INC.		4,294	83.7	4,102	4,376	77.2	11,168	75.4	11,909	12,188	75.1
**MISCELLANEOUS OPER. INCOME		3,640	70.9	4,129	3,505	61.8	9,931	67.1	11,402	10,281	63.4
		653	12.7	273	871	15.3	1,237	8.3	107	1,907	11.7
TOTAL SALES		184,732	100.0	182,932	184,238	100.0	472,477	100.0	465,228	527,384	100.0
CANTEEN ADM SALARIES		11,235	6.0	3	5	0.0	26,575	5.6	0	0	0.0
ADMIN & ACCTG-CO/FC		6,964	3.7	7,391	4,588	2.2	19,329	4.0	22,432	16,407	3.1
+NON-OPER INCM/LOSS		329	0.1	85	339	0.1	1,885	0.3	170	1,080	0.1
NET INCOME		7,836	4.2	1,658	21,408	10.4	22,345	4.7	4,107)	51,495	9.7

* INCLUDES: REPAIRS, MAINTENANCE CONTRACT EXPENSES, RENT, TELEPHONES, DEPRECIATION ON EQUIP., CASH OVER OR SHORT, ARMORED CAR SRVC EXPENSE, INCOME FROM MFG. COUPONS, CREDIT CARD COSTS AND OTHER CANTEEN OVERHEAD EXPENSES

** INCLUDES: SALARIES, REPAIRS, MAINTENANCE, RENT, DEPRECIATION ON EQUIP. AND EMPLOYEE BENEFITS

+ INCLUDES: RETURNED CHECK LOSSES, NON-DEPT SPECIFIC CASH VARIANCES, ACCOUNTS RECEIVABLE LOSSES, PETTY CASH OR CHANGE FUND LOSSES, SALES OF NON-EQUIP. ASSETS, GAINS AND LOSSES ON MERCHANDISE TRANSACTIONS, TOBACCO COUPON INCOME, GAINS OR LOSSES ON PATIENT COUPON TRANSACTIONS, GAINS OR LOSSES ON THE DISPOSAL OF EQUIPMENT, INTEREST INCOME AND BANK SERVICE CHARGES

AL209
AS OF 12-31-87

VETERAN CANTEEN SERVICE
INCOME & EXPENSE SUMMARY

584 AMARILLO

		CURRENT MONTH ACTUAL (DOLLARS)	CURRENT MONTH PCT OF SALES	CURRENT MONTH BUDGET (DOLLARS)	CURRENT MONTH PRIOR FY (DOLLARS)	CURRENT MONTH PCT OF SALES	FISCAL YEAR-TO-DATE ACTUAL (DOLLARS)	FISCAL YEAR-TO-DATE PCT OF SALES	FISCAL YEAR-TO-DATE BUDGET (DOLLARS)	FISCAL YEAR-TO-DATE PRIOR FY (DOLLARS)	FISCAL YEAR-TO-DATE PCT OF SALES
RETAIL DEPTS											
SALES	A	23	0.1	0	2,245	11.4	23	0.0	0	6,805	14.3
	B	2,281	10.8	2,258	2,244	11.4	6,543	13.0	5,901	5,866	12.3
	C	12,759	61.0	10,462	8,971	45.9	28,786	58.1	23,784	20,305	43.0
	E	5,896	28.3	5,925	6,104	31.1	14,275	28.8	13,882	14,301	30.1
	TOTAL	20,901	100.0	18,645	19,566	100.0	49,528	100.0	43,568	47,186	100.0
GROSS INC.	A	5	24.1	0	717	31.9	5	24.1	0	2,226	32.7
	B	499	21.9	518	8	0.4	1,532	23.7	1,354	807	13.7
	C	2,213	17.3	1,896	1,333	14.8	5,117	17.7	4,538	3,067	15.0
	E	1,482	25.3	1,400	1,403	22.9	3,713	26.0	3,281	2,711	18.9
	TOTAL	4,195	20.0	3,915	3,463	17.7	10,369	20.9	9,174	8,813	18.6
SALARIES *		927	4.4	2,626	2,855	14.5	2,580	5.2	7,321	7,982	16.8
EMPLOYEE BENEFITS		69	0.3	522	326	1.6	262	0.5	1,219	1,021	2.1
SUPPLIES		46	0.2	83	44	0.2	149	0.3	196	352	0.7
* MISCELLANEOUS		646	3.0	581	437	2.2	1,542	3.1	1,446	1,133	2.3
OPER. INCOME		2,507	11.9	131 (	202)(	1.0)	5,813	11.7 (	1,059)(	1,655)(	3.4)
MANUAL FOOD											
SALES		10,451	100.0	11,102	8,150	100.0	31,525	100.0	33,307	23,261	100.0
GROSS INC.		7,260	69.4	7,083	5,236	64.2	20,614	65.3	21,250	14,193	61.0
SALARIES		3,955	37.8	4,137	3,714	45.5	11,075	35.1	12,413	10,336	44.4
EMPLOYEE BENEFITS		596	5.7	769	449	5.5	1,623	5.1	2,307	1,353	5.8
SUPPLIES		481	4.6	660	765	9.3	1,284	4.0	1,980	1,735	7.4
* MISCELLANEOUS		1,203	11.5	1,779	812	9.9	3,592	11.3	5,339	2,580	11.0
OPER. INCOME		1,022	9.7 (	263)(	505)(	6.2)	3,038	9.6 (	1,030)(	1,813)(	7.7)
AUTOMATIC FOOD											
SALES		1,290	100.0	1,093	729	100.0	4,591	100.0	3,000	2,923	100.0
GROSS INC.		154	11.9	475	87	12.0	550	11.9	898	350	12.0
**MISCELLANEOUS		30	2.3	24	33	4.6	95	2.0	83	107	3.6
OPER. INCOME		124	9.6	451	53	7.3	455	9.9	815	243	8.3
AUTOMATIC BEV.											
SALES		2,379	100.0	2,655	2,453	100.0	8,513	100.0	8,485	7,838	100.0
GROSS INC.		394	16.5	722	407	16.5	1,385	16.2	2,307	1,364	16.6
**MISCELLANEOUS		47	1.9	35	87	3.5	155	1.8	303	263	3.3
OPER. INCOME		347	14.6	627	319	13.0	1,229	14.4	2,004	1,041	13.2
SERVICE DEPTS											
SALES		24	100.0	45	18	100.0	85	100.0	135	154	100.0
GROSS INC.		9	37.7	11	1	8.9 (	31)(	36.5)(	136)	20	13.2
**MISCELLANEOUS		0	1.4	5	0	1.4	1	1.4	17	2	1.4
OPER. INCOME		8	36.2	5	1	7.5 (	32)(	38.0)(	153)	18	11.7
TOTAL SALES		35,047	100.0	33,453	30,916	100.0	94,243	100.0	88,496	81,547	100.0
CANTEEN ADM SALARIES		3,459	9.8	0	0	0.0	10,186	10.8	0	0	0.0
ADMIN & ACCTG-CO/FC		1,321	3.7	1,351	916	2.9	3,858	4.0	4,291	3,290	4.0
***NON-OPER INCM/LOSS		396	1.1	17	46	0.1	890	0.9	41	82	0.1
NET INCOME	(	373)(	1.0)(	411)(	1,203)(	3.8) (	2,649)(	2.8)(	3,674)(	5,372)(	6.5)

* INCLUDES: REPAIRS, MAINTENANCE CONTRACT EXPENSES, RENT, TELEPHONES, DEPRECIATION ON EQUIP., CASH OVER OR SHORT, ARMORED CAR SRVC EXPENSE, INCOME FROM MFG. COUPONS, CREDIT CARD COSTS AND OTHER CANTEEN OVERHEAD EXPENSES

** INCLUDES: SALARIES, REPAIRS, MAINTENANCE, RENT, DEPRECIATION ON EQUIP. AND EMPLOYEE BENEFITS

*** INCLUDES: RETURNED CHECK LOSSES, NON-DEPT SPECIFIC CASH VARIANCES, ACCOUNTS RECEIVABLE LOSSES, PETTY CASH OR CHANGE FUND LOSSES, SALES OF NON-EQUIP. ASSETS, GAINS AND LOSSES ON MERCHANDISE TRANSACTIONS, TOBACCO COUPON INCOME, GAINS OR LOSSES ON PATIENT COUPON TRANSACTIONS, GAINS OR LOSSES ON THE DISPOSAL OF EQUIPMENT, INTEREST INCOME AND BANK SERVICE CHARGES

GL259
AS OF 12-31-87

VETERAN CANTEEN SERVICE
INCOME & EXPENSE SUMMARY

	CURRENT MONTH ACTUAL (DOLLARS)	CURRENT MONTH PCT OF SALES	CURRENT MONTH PRIOR YR (DOLLARS)	CURRENT MONTH PCT OF SALES	FISCAL YEAR-TO-DATE ACTUAL (DOLLARS)	FISCAL YEAR-TO-DATE PCT OF SALES	12 MONTHS ROLLING (DOLLARS)	12 MONTHS PRIOR YR (DOLLARS)	12 MONTHS PCT OF SALES
RETAIL DEPTS									
SALES A	178	0.4	3	3,521	3.1	2,979	3.0	0	10,476	17.1
B	4,921	15.7	4,951	4,911	12.7	17,542	18.2	14,625	14,136	15.8
C	22,454	57.6	18,053	18,059	46.7	46,047	47.0	34,575	34,523	40.5
E	13,066	30.6	12,175	12,103	31.3	31,042	31.7	25,975	25,767	30.2
TOTAL	42,619	100.0	35,175	38,546	100.0	97,911	100.0	75,075	85,103	100.0
GROSS INC. A	(681)	96.1)	3	1,123	31.9	552	18.5	0	3,946	37.6
B	1,481	28.4	1,136	1,155	23.5	4,025	22.5	3,310	3,271	22.9
C	3,404	15.1	3,433	3,497	19.3	7,359	15.9	6,515	6,825	19.7
E	2,191	16.7	2,079	2,760	22.8	5,219	16.8	4,178	5,041	21.9
TOTAL	5,912	13.7	6,655	8,533	22.1	17,156	17.5	14,355	19,084	21.1
SALARIES	2,353	5.5	4,225	4,445	11.5	7,781	7.9	13,305	13,991	16.4
EMPLOYEE BENEFITS	504	1.1	994	644	1.6	1,613	1.6	2,103	1,962	2.3
SUPPLIES	275	0.5	158	18	0.0	534	0.6	337	301	0.3
* MISCELLANEOUS	1,054	2.4	914	962	2.4	2,573	2.6	2,115	2,307	2.7
OPER. INCOME	2,725	6.3	1,177	2,461	6.3	4,553	4.5	(1,804)	1,121	1.3
MANUAL FOOD										
SALES	21,743	100.0	15,558	15,332	100.0	61,727	100.0	51,304	51,132	100.0
GROSS INC.	15,040	69.1	9,937	10,041	65.4	39,614	64.1	33,114	31,929	62.4
SALARIES	5,531	25.3	5,832	6,706	43.7	17,147	27.7	19,144	21,075	41.2
EMPLOYEE BENEFITS	804	3.6	1,074	969	6.3	2,508	4.2	3,595	2,973	5.8
SUPPLIES	1,781	8.1	925	987	6.4	4,448	7.2	3,385	3,760	6.1
* MISCELLANEOUS	947	4.5	832	785	5.1	2,740	4.4	2,199	2,535	4.9
OPER. INCOME	5,455	25.6	1,374	592	3.9	12,677	20.5	4,439	2,084	4.0
AUTOMATIC FOOD										
SALES	3,060	100.0	2,833	2,665	100.0	11,373	100.0	11,090	10,638	100.0
GROSS INC.	680	22.2	595	594	22.3	2,574	22.2	2,499	2,364	22.2
**MISCELLANEOUS	56	1.8	132	131	4.9	235	2.0	388	422	3.9
OPER. INCOME	623	20.3	592	463	17.3	2,338	20.2	1,910	1,942	18.2
AUTOMATIC BEV.										
SALES	5,217	100.0	4,653	4,110	100.0	17,027	100.0	15,650	15,085	100.0
GROSS INC.	2,071	39.7	1,213	1,741	43.4	6,716	39.4	4,202	6,080	40.1
**MISCELLANEOUS	90	1.7	232	195	4.5	335	1.9	592	606	4.0
OPER. INCOME	1,981	37.9	1,039	1,545	35.8	6,381	37.4	3,509	5,474	36.2
SERVICE DEPTS										
SALES	1,269	100.0	977	869	100.0	3,224	100.0	2,939	2,578	100.
GROSS INC.	559	44.0	560	455	52.3	1,525	47.3	1,595	1,290	5
**MISCELLANEOUS	464	36.9	341	300	34.5	1,293	38.8	981	855	3
OPER. INCOME	31	2.1	145	154	17.7	272	8.4	512	434	1
TOTAL SALES	71,931	100.0	59,971	61,724	100.0	191,664	100.0	156,269	164,490	100.0
CANTEEN ADM SALARIES	4,303	5.9	3	8	3.0	10,784	5.6	0	0	0.0
ADMIN & ACCTG-CO/FC	2,797	3.7	2,393	1,365	2.2	7,846	4.0	7,555	5,188	3.1
***NON-OPER INCM/LOSS	(81)	0.01	3	2441)	0.3)	(211)	0.01	0	271	0.1
NET INCOME	4,768	6.6	1,830	3,585	5.8	7,539	3.9	1,367	4,140	3.7

* INCLUDES: REPAIRS, MAINTENANCE CONTRACT EXPENSES, RENT, TELEPHONES, DEPRECIATION ON EQUIP., CASH OVER OR SHORT, ARMORED CAR SER EXPENSE, INCOME FROM MDG. COUPONS, CREDIT CARD COSTS AND OTHER CANTEEN OVERHEAD EXPENSES

** INCLUDES: SALARIES, REPAIRS, MAINTENANCE, RENT, DEPRECIATION ON EQUIP. AND EMPLOYEE BENEFITS

*** INCLUDES: RETURNED CHECK LOSSES, NON-DEPT SPECIFIC CASH VARIANCES, ACCOUNTS RECEIVABLE LOSSES, PETTY CASH OR CHANGE FUND LOSSES SALES OF NON-FOOD, ASSETS, GAINS AND LOSSES ON MERCHANDISE TRANSACTIONS, TOBACCO COUPON INCOME, GAINS OR LOSSES ON PATIENT COUPON TRANSACTIONS, GAIN OR LOSSES ON THE DISPOSAL OF EQUIPMENT, INTEREST INCOME AND BANK SERVICE CHARGES

GL709
AS OF 12-31-87

MILPAN LAUNDRY SERVICE
INCOME & EXPENSE SUMMARY

339 CHARLESTON

		CURRENT MONTH ACTUAL (DOLLARS)	CURRENT MONTH ACTUAL PCT OF SALES	CURRENT MONTH BUDGET (DOLLARS)	CURRENT MONTH PRIOR YR (DOLLARS)	CURRENT MONTH PRIOR YR PCT OF SALES	FISCAL YEAR-TO-DATE ACTUAL (DOLLARS)	FISCAL YEAR-TO-DATE ACTUAL PCT OF SALES	FISCAL YEAR-TO-DATE BUDGET (DOLLARS)	FISCAL YEAR-TO-DATE PRIOR YR (DOL.AMT)	FISCAL YEAR-TO-DATE PCT OF SALES
RETAIL DEPTS											
SALES	A	125	0.1	3	4,551	6.5	334	0.2	0	20,286	11.7
	B	9,099	12.1	10,359	8,911	11.7	25,481	16.3	28,122	24,777	14.3
	C	32,117	42.7	31,973	29,187	38.4	62,449	39.9	53,440	57,958	33.6
	E	33,820	44.9	33,747	31,174	41.1	67,983	43.4	74,737	69,057	40.1
	TOTAL	75,161	100.0	76,084	75,831	100.0	156,149	100.0	157,049	172,081	100.0
GROSS INC.	A	33	26.9	3	1,354	20.6	62	18.7	0	4,680	23.0
	B	1,931	21.2	2,373	1,951	21.8	6,220	24.4	6,515	5,880	23.7
	C	6,635	20.6	6,103	6,096	20.8	12,629	20.2	12,113	12,213	21.0
	E	7,730	22.8	7,975	6,332	20.3	16,350	24.0	17,667	15,011	21.7
	TOTAL	15,333	21.7	16,455	15,734	20.7	35,263	22.5	36,396	37,785	21.9
SALARIES		4,536	6.0	7,457	8,312	10.9	16,838	10.7	20,567	22,925	13.3
EMPLOYEE BENEFITS		939	1.2	2,132	1,179	1.5	3,223	2.0	4,577	3,389	1.9
SUPPLIES		849	1.1	347	528	3.6	1,084	2.6	751	926	0.5
* MISCELLANEOUS		1,525	2.0	1,915	1,570	2.0	3,521	2.2	4,507	3,699	2.1
OPER. INCOME		9,479	11.7	4,513	4,144	5.4	10,603	6.7	5,897	6,845	3.9
MANUAL FOOD											
SALES		32,344	100.0	34,223	30,825	100.0	99,161	100.0	132,570	92,387	100.0
GROSS INC.		21,161	65.4	21,834	19,447	63.0	60,820	64.6	85,439	58,894	63.7
SALARIES		7,817	24.1	12,754	8,569	27.8	23,913	25.2	34,227	23,689	25.6
EMPLOYEE BENEFITS		1,372	4.0	2,372	1,174	3.8	3,715	4.1	7,105	3,486	3.7
SUPPLIES		1,485	4.5	2,034	3,217	10.4	6,432	6.8	6,047	6,360	6.8
* MISCELLANEOUS		1,601	4.9	1,817	1,543	5.0	5,307	5.6	5,178	4,436	4.8
OPER. INCOME		8,934	27.6	7,855	4,943	16.0	21,351	22.6	8,830	20,919	22.6
AUTOMATIC FOOD											
SALES		3,039	100.0	2,918	2,737	100.0	9,714	100.0	10,108	9,423	100.0
GROSS INC.		303	10.0	293	273	10.0	971	10.0	1,181	942	10.0
**MISCELLANEOUS		47	1.5	87	43	1.5	151	1.5	302	147	1.5
OPER. INCOME		256	8.4	255	230	8.4	819	8.4	579	794	8.4
AUTOMATIC BEV.											
SALES		2,972	133.3	3,366	3,064	130.0	9,809	100.0	11,457	10,496	100.0
GROSS INC.		791	26.6	929	834	27.2	2,611	26.6	3,116	2,850	27.1
**MISCELLANEOUS		48	1.6	115	69	1.5	157	1.6	400	168	1.6
OPER. INCOME		747	24.9	777	796	25.6	2,453	25.0	2,715	2,682	25.5
SERVICE DEPTS											
SALES		404	100.0	414	388	103.0	983	100.0	1,160	1,088	100.0
GROSS INC.		177	31.5	173	175	45.2	346	40.1	451	445	40.8
**MISCELLANEOUS		6	1.4	57	9	1.6	14	1.4	145	14	1.4
OPER. INCOME		121	33.0	127	169	41.7	379	35.6	305	428	19.3
TOTAL SALES		113,921	100.0	117,335	112,849	100.0	278,795	100.0	232,346	285,477	100.0
CANTEEN ADM SALARIES		5,506	4.8	0	0	0.0	5,506	2.0	0	0	0.0
ADMIN & ACCTG-CO/FC		4,294	3.7	4,777	3,695	3.2	11,019	4.0	14,338	10,856	3.8
***NON-OPER INCM/LOSS		232	0.2	73	40	0.0	527	0.1	5	126	0.0
NET INCOME		9,964	7.8	3,937	6,614	5.9	19,698	7.2	4,591	20,940	7.

* INCLUDES: REPAIRS, MAINTENANCE CONTRACT EXPENSES, RENT, TELEPHONES, DEPRECIATION ON EQUIP., CASH OVER OR SHORT, ARMORED CAR SE EXPENSE, INCOME FROM MDG. COUPONS, CREDIT CARD COSES AND OTHER CANTEEN OVERHEAD EXPENSES

** INCLUDES: SALARIES, REPAIRS, MAINTENANCE, RENT, DEPRECIATION ON EQUIP. AND EMPLOYEE BENEFITS

*** INCLUDES: RETURNED CHECK LOSSES, NON-DEPT SPECIFIC CASH VARIANCES, ACCOUNTS RECEIVABLE LOSSES, PETTY CASH OR CHANGE FUND LOSSES, SALES OF NON-EQUIP. ASSETS, GAINS AND LOSSES ON MERCHANDISE TRANSACTIONS, TOBACCO COUPON INCOME, GAINS OR LOSSES ON PATIENT COUPON TRANSACTIONS, GAINS OR LOSSES ON THE DISPOSAL OF EQUIPMENT, INTEREST INCOME AND BANK SERVICE CHARGES

VETERAN CANTEEN SERVICE
INCOME & EXPENSE SUMMARY

554 DENVER

	CURRENT MONTH ACTUAL (DOLLARS)	PCT OF SALES	BUDGET (DOLLARS)	PRIOR FY (DOLLARS)	PCT OF SALES	FISCAL YEAR-TO-DATE ACTUAL (DOLLARS)	PCT OF SALES	BUDGET (DOLLARS)	PRIOR FY (DOLLARS)	PCT OF SALES
RETAIL DEPTS										
SALES A	0	0.0	0	6,080	13.8	85	0.0	0	23,395	16.3
B	10,493	18.3	8,883	8,998	16.5	25,889	22.5	21,580	23,688	16.5
C	27,227	47.7	24,833	26,361	42.6	48,033	41.8	44,080	50,183	35.0
E	19,342	33.9	17,933	18,345	29.6	40,866	35.5	42,800	45,986	32.1
TOTAL	57,022	100.0	49,050	61,786	100.0	114,874	100.0	107,500	143,254	100.0
GROSS INC. A	81	0.0	0	2,297	28.4	531	6.9	0	6,750	28.8
B	2,116	20.2	1,836	1,879	20.8	5,643	21.7	4,924	5,464	23.0
C	4,544	16.6	4,577	5,580	23.8	8,303	17.2	8,395	10,396	20.7
E	4,767	24.6	4,018	4,449	24.2	10,264	25.1	9,928	10,958	23.8
TOTAL	11,428	20.0	10,434	14,127	22.9	24,205	21.0	23,250	33,569	23.4
SALARIES	5,796	10.1	5,299	5,670	9.1	17,086	14.8	16,778	17,804	12.4
EMPLOYEE BENEFITS	1,126	1.9	1,371	801	1.2	3,403	2.9	3,009	2,573	1.7
SUPPLIES	60	0.1	220	853	1.3	146	0.1	483	1,328	0.9
* MISCELLANEOUS	1,284	2.2	1,555	1,274	2.0	2,931	2.5	3,750	3,222	2.2
OPER. INCOME	3,160	5.5	991	5,526	8.9	637	0.5	3,764)	8,640	6.0
MANUAL FOOD										
SALES	36,725	100.0	39,514	38,202	100.0	112,730	100.0	117,541	113,734	100.0
GROSS INC.	22,769	62.0	25,210	23,650	61.9	70,469	62.5	75,355	70,407	61.9
SALARIES	12,417	33.8	14,727	11,848	31.3	36,836	32.6	43,845	38,249	33.6
EMPLOYEE BENEFITS	2,511	6.8	2,737	1,835	4.8	7,588	6.7	8,149	5,976	5.2
SUPPLIES	2,865	7.8	2,343	1,525	3.9	7,942	7.0	5,993	7,959	6.9
* MISCELLANEOUS	1,296	3.5	1,193	1,600	4.1	3,847	3.4	3,720	5,136	4.5
OPER. INCOME	3,678	10.0	4,233	6,839	17.9	14,254	12.6	12,147	13,065	11.4
AUTOMATIC FOOD										
SALES	5,871	100.0	6,035	5,795	100.0	16,151	100.0	17,626	16,926	100.0
GROSS INC.	1,383	23.5	1,356	1,348	23.2	3,716	23.0	3,966	3,940	23.2
**MISCELLANEOUS	173	2.9	228	187	3.2	505	3.1	570	559	3.3
OPER. INCOME	1,209	20.5	1,128	1,160	20.0	3,210	19.8	3,295	3,380	19.9
AUTOMATIC BEV.										
SALES	4,063	100.0	4,439	4,274	100.0	11,128	100.0	12,915	12,269	100.0
GROSS INC.	976	24.0	1,221	1,021	23.9	2,677	24.0	3,512	2,904	23.6
**MISCELLANEOUS	148	3.6	256	166	3.8	434	3.9	594	494	4.0
OPER. INCOME	828	20.3	1,018	855	20.0	2,242	20.1	2,918	2,410	19.6
SERVICE DEPTS										
SALES	132	100.0	363	523	100.0	381	130.0	947	1,407	100.0
GROSS INC.	34	26.2	188	327	62.4	78	20.6	530	868	61.7
**MISCELLANEOUS	7	5.6	155	2,312	441.4	96	25.1	162	3,572	253.7
OPER. INCOME	27	20.5	23 (	1,985)(	378.9) (	178)	4.53	68 (	2,703)(	192.0)
TOTAL SALES	103,815	100.0	93,412	110,582	100.0	255,266	100.0	256,680	287,593	100.0
CANTEEN ADM SALARIES	0	0.0	0	0	0.0	0	0.0	0	0	0.0
ADMIN & ACCTG-CO/FC	3,913	3.7	4,015	3,277	2.9	10,415	4.0	12,377	11,725	4.0
**NON-OPER INCM/LOSS (	461)	0.01	113	534	3.4 (	1,317)	0.51	222	368	0.1
NET INCOME	4,941	4.7	3,455	9,658	8.7	8,595	3.3	2,509	13,436	4.6

* INCLUDES: REPAIRS, MAINTENANCE CONTRACT EXPENSES, RENT, TELEPHONES, DEPRECIATION ON EQUIP., CASH OVER OR SHORT, ARMORED CAR SRVC EXPENSE, INCOME FROM MFG. COUPONS, CREDIT CARD COSTS AND OTHER CANTEEN OVERHEAD EXPENSES

** INCLUDES: SALARIES, REPAIRS, MAINTENANCE, RENT, DEPRECIATION ON EQUIP. AND EMPLOYEE BENEFITS

** INCLUDES: RETURNED CHECK LOSSES, NON-DEPT SPECIFIC CASH VARIANCES, ACCOUNTS RECEIVABLE LOSSES, PETTY CASH OR CHANGE FUND LOSSES, SALES OF NON-EQUIP. ASSETS, GAINS AND LOSSES ON MERCHANDISE TRANSACTIONS, TOBACCO COUPON INCOME, GAINS OR LOSSES ON PATIENT COUPON TRANSACTIONS, GAINS OR LOSSES ON THE DISPOSAL OF EQUIPMENT, INTEREST INCOME AND BANK SERVICE CHARGES

SL739
AS OF 12-31-87

INCOME & EXPENSE SUMMARY

571 GAINSVILLE

		CURRENT MONTH ACTUAL (DOLLARS)	CURRENT MONTH ACTUAL PCT OF SALES	CURRENT MONTH BUDGET (DOLLARS)	PRIOR FY (DOLLARS)	PRIOR FY PCT OF SALES	FISCAL YEAR-TO-DATE ACTUAL (DOLLARS)	FISCAL YEAR-TO-DATE ACTUAL PCT OF SALES	FISCAL YEAR-TO-DATE BUDGET (DOLLARS)	PRIOR FY (DOLLARS)	PRIOR FY PCT OF SALES
RETAIL DEPTS											
SALES	A	0	0.0	0	15,983	13.4	726	0.3	0	48,372	17.7
	B	14,835	15.9	15,831	15,128	12.7	44,334	13.4	48,389	43,942	15.7
	C	51,082	48.2	43,761	42,165	35.7	98,278	43.4	89,314	86,220	30.8
	E	17,849	15.7	44,557	45,117	38.0	81,323	36.8	39,422	101,122	36.1
	TOTAL	105,765	100.0	105,139	118,617	100.0	224,339	100.0	237,726	279,656	100.0
GROSS INC.	A	0	0.0	0	5,071	31.4	190	25.2	0	15,436	31.9
	B	3,103	18.4	3,853	3,693	24.4	9,910	22.5	11,221	10,828	24.6
	C	9,994	19.5	9,365	9,310	21.3	19,868	20.1	19,983	20,007	23.7
	E	9,585	22.4	13,531	10,891	24.1	19,616	23.5	23,397	23,980	23.7
	TOTAL	21,583	20.4	22,749	28,916	24.3	49,585	21.8	51,802	70,253	25.1
SALARIES		3,815	3.6	10,673	8,921	7.5	12,513	5.5	31,344	25,950	9.2
EMPLOYEE BENEFITS		854	0.8	2,968	1,749	1.5	2,395	1.0	8,656	3,643	1.3
SUPPLIES		2	0.0	473	45	0.0	1,363	0.6	1,869	1,167	0.4
* MISCELLANEOUS		2,148	2.0	2,653	2,533	2.1	4,914	2.1	6,234	6,043	2.1
OPER. INCOME		14,761	13.9	5,998	16,167	13.6	28,258	12.4	6,791	33,447	11.9
MANUAL FOOD											
SALES		49,279	100.0	49,247	48,585	100.0	150,670	100.0	153,195	151,138	100.0
GROSS INC.		31,991	64.5	31,419	29,779	61.2	98,279	65.2	97,239	94,721	62.6
SALARIES		15,750	31.9	19,334	20,052	41.2	47,788	31.7	57,395	59,159	39.1
EMPLOYEE BENEFITS		2,971	6.0	3,611	2,973	6.1	8,931	5.9	10,512	8,482	5.6
SUPPLIES		3,751	7.6	2,927	5,000	10.2	12,291	8.1	9,106	10,906	7.2
* MISCELLANEOUS		1,727	3.5	1,551	1,525	3.1	5,244	3.4	5,136	4,852	3.2
OPER. INCOME		7,681	15.5	5,055	225	0.4	24,023	15.9	15,787	11,320	7.4
AUTOMATIC FOOD											
SALES		4,140	100.0	4,633	4,615	100.0	13,997	100.0	14,700	14,725	100.0
GROSS INC.		1,159	28.0	1,717	1,292	27.9	3,919	27.9	5,566	4,123	28.0
**MISCELLANEOUS		66	1.6	127	74	1.6	223	1.5	408	236	1.6
OPER. INCOME		1,092	26.3	1,633	1,218	26.3	3,595	26.4	5,158	3,887	26.3
AUTOMATIC REV.											
SALES		4,994	100.0	5,503	5,642	100.0	17,073	100.0	18,200	18,904	100.0
GROSS INC.		1,278	25.5	1,573	1,434	25.4	4,361	25.5	5,140	4,832	25.5
**MISCELLANEOUS		82	1.6	135	91	1.6	277	1.6	656	306	1.6
OPER. INCOME		1,196	23.9	1,327	1,343	23.9	4,084	23.9	4,484	4,526	23.9
SERVICE DEPTS											
SALES		3,240	100.0	2,043	1,937	100.0	9,073	100.0	6,456	6,207	100.0
GROSS INC.		1,334	41.0	952	955	49.3	3,759	40.8	3,050	3,143	50.6
**MISCELLANEOUS		721	22.2	666	435	22.5	1,967	21.4	1,339	1,415	22.8
OPER. INCOME		613	19.8	315	518	26.7	1,781	19.4	1,110	1,728	27.8
TOTAL SALES		167,444	100.0	166,618	179,399	100.0	417,154	100.0	430,980	470,632	100.0
CANTEEN ADM SALARIES		7,305	4.3	0	0	0.0	20,517	4.9	0	0	0.0
ADMIN & ACCTG-CO/FC		5,280	3.2	5,717	5,883	3.2	16,921	4.0	20,796	17,997	3.8
***NON-OPER INCM/LOSS		174	0.1	191	255	5.1	(1,636)**	0.33	377	153	0.0
NET INCOME		11,934	7.1	7,755	13,797	7.6	22,558	5.4	12,917	37,071	7.8

* INCLUDES: REPAIRS, MAINTENANCE CONTRACT EXPENSE, RENT, TELEPHONES, DEPRECIATION ON EQUIP., CASH OVER OR SHORT, ARMORED CAR SERVICE EXPENSE, INCOME FROM MEAL COUPONS, OVERALL LAND COSTS AND OTHER CANTEEN OVERHEAD EXPENSES

** INCLUDES: SALARIES, REPAIRS, MAINTENANCE, RENT, DEPRECIATION ON EQUIP. AND EMPLOYEE BENEFITS

*** INCLUDES: RETURNED CHECK LOSSES, NON-DEPT SPECIFIC CASH VARIANCES, ACCOUNTS RECEIVABLE LOSSES, PETTY CASH OR CHANGE FUND LOSSES, SALES OF NON-EQUIP. ASSETS, GAINS AND LOSSES ON MERCHANDISE TRANSACTIONS, TOBACCO COUPON INCOME, GAINS OR LOSSES ON PATRON COUPON TRANSACTIONS, GAINS OR LOSSES ON THE DISPOSAL OF EQUIPMENT, INTEREST INCOME AND BANK SERVICE CHARGES

GL204
AS OF 12-31-87

INCOME & EXPENSE SUMMARY

		EQUIPMENT MONTH				FISCAL YEAR-TO-DATE				
		ACTUAL (DOLLARS)	PCT OF SALES	BUDGET (DOLLARS)	PRIOR FY (DOLLARS)	PCT OF SALES	ACTUAL (DOLLARS)	PCT OF SALES	BUDGET (DOLLARS)	PRIOR FY (DOLLARS)	PCT OF SALES
RETAIL DEPTS											
SALES	A	15	0.0	3	5,414	2.4	49	0.0	0	15,072	8.8
	B	7,980	12.4	9,129	8,626	11.9	21,782	13.8	23,749	25,727	14.8
	C	29,883	47.0	37,635	30,285	41.7	69,513	44.2	68,508	63,576	37.4
	F	25,761	40.5	34,333	28,243	38.9	65,890	41.9	78,300	65,991	38.8
	TOTAL	63,642	100.0	74,759	72,571	100.0	157,234	100.0	170,757	169,862	100.0
GROSS INC.	A	4	19.6	3	2,332	43.3	1	3.6	0	6,538	43.3
	B	1,814	23.0	1,554	1,790	20.7	5,002	22.9	5,450	5,503	21.8
	C	6,283	21.0	6,774	6,389	21.0	14,646	20.7	13,271	13,174	20.7
	F	6,798	26.1	8,037	7,104	25.1	17,159	26.0	18,638	16,613	25.1
	TOTAL	14,901	23.4	16,124	17,617	24.2	36,809	23.2	36,361	41,829	24.6
SALARIES		3,715	5.8	5,163	7,198	9.9	11,136	7.0	15,338	23,942	12.3
EMPLOYEE BENEFITS		794	1.2	2,093	807	1.1	2,472	1.5	4,767	2,566	1.5
SUPPLIES		25	0.0	316	79	0.1	819	0.5	766	169	0.0
* MISCELLANEOUS		1,454	2.2	1,813	1,471	2.0	3,729	2.3	4,441	3,786	2.2
OPER. INCOME		8,909	14.0	6,715	8,060	11.1	18,451	11.7	11,947	14,365	8.4
MANUAL FOOD											
SALES		19,083	130.0	19,976	17,929	100.0	56,941	100.0	56,314	53,774	100.0
GROSS INC.		12,345	64.6	12,106	11,233	62.6	37,594	66.0	36,311	33,773	62.8
SALARIES		6,062	31.7	7,077	8,625	46.9	19,148	33.6	21,211	25,882	48.1
EMPLOYEE BENEFITS		1,282	6.7	1,314	1,373	7.6	3,880	6.8	3,942	4,090	7.6
SUPPLIES		866	4.5	1,128	890	4.9	3,330	5.8	3,383	2,122	3.9
* MISCELLANEOUS		2,229	11.6	1,953	1,682	9.4	5,477	9.6	4,396	4,405	8.1
OPER. INCOME		1,901	9.9	634	1,14531	6.31	5,757	10.1	2,777	2,72911	5.03
AUTOMATIC FOOD											
SALES		3,817	100.0	3,633	3,547	100.0	11,956	100.0	10,300	10,698	100.0
GROSS INC.		457	11.9	571	383	10.9	1,396	11.7	1,755	1,202	11.0
**MISCELLANEOUS		80	2.1	114	148	4.1	262	2.2	348	448	4.1
OPER. INCOME		377	9.8	537	241	6.8	1,134	9.5	1,406	754	6.9
AUTOMATIC REV.											
SALES		7,027	100.0	7,133	7,273	103.0	21,156	103.0	21,203	21,123	100.0
GROSS INC.		1,512	21.5	1,483	1,583	21.8	4,555	21.5	5,766	4,607	21.8
**MISCELLANEOUS		140	2.0	257	234	3.2	438	2.0	778	696	3.2
OPER. INCOME		1,371	19.5	1,227	1,349	18.6	4,116	19.4	4,987	3,910	18.5
SERVICE DEPTS											
SALES		1,316	100.0	992	1,237	100.0	2,550	100.0	2,544	3,018	100.0
GROSS INC.		304	23.3	566	668	17.4	715	14.6	562	1,007	33.3
**MISCELLANEOUS		15	1.5	192	97	7.9	69	7.6	277	270	8.9
OPER. INCOME		289	29.6	344	370	29.9	845	31.7	544	737	24.4
TOTAL SALES		96,689	100.0	135,677	102,556	100.0	249,862	100.0	261,915	258,678	100.0
CANTEEN ADM SALARIES		5,792	5.1	0	0	0.0	16,916	6.7	0	0	0.0
ADMIN & ACCTG-CORPC		1,559	1.7	4,258	3,029	2.9	10,258	4.1	12,567	10,451	4.0
***NON-OPER INCM/LOSS		179	3.1	731	16111	3.11	139	9.0	531	443	0.1
NET INCOME		3,627	3.8	5,557	5,689	5.5	3,311	1.3	9,587	7,029	2.7

* INCLUDES: REPAIRS, MAINTENANCE CONTRACT EXPENSES, RENT, TELEPHONES, DEPRECIATION ON EQUIP., CASH OVER OR SHORT, ARMORED CAR SRVC EXPENSE, INCOME FROM MISC. COUPONS, CREDIT CARD COSTS AND OTHER CANTEEN OVERHEAD EXPENSES

** INCLUDES: SALARIES, REPAIRS, MAINTENANCE, RENT, DEPRECIATION ON EQUIP. AND EMPLOYEE BENEFITS

*** INCLUDES: RETURNED CHECK LOSSES, NON-DEPT SPECIFIC CASH VARIANCES, ACCOUNTS RECEIVABLE LOSSES, PETTY CASH OR CHANGE FUND LOSSES, SALES OF NON-EQUIP. ASSETS, GAINS AND LOSSES ON MERCHANDISE TRANSACTIONS, TOBACCO COUPON INCOME, GAINS OR LOSSES ON PATRON EQUIP. [illegible], GAINS OR LOSSES ON DISPOSAL OF EQUIPMENT, INTEREST INCOME AND BANK SERVICE CHARGES

INCOME & EXPENSE SUMMARY

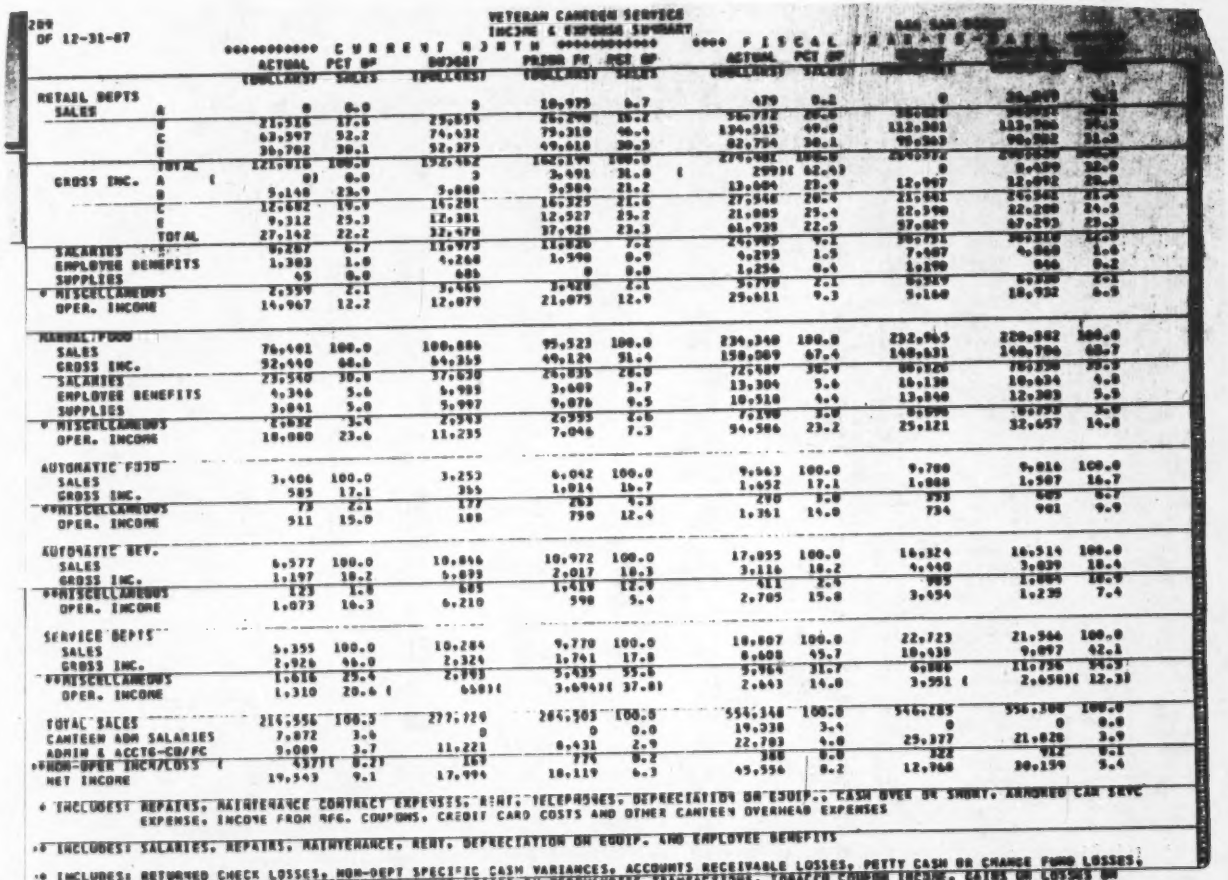
6JR MINNEAPOLIS

		CURRENT MONTH					FISCAL YEAR-TO-DATE				
		ACTUAL (DOLLARS)	PCT OF SALES	BUDGET (DOLLARS)	PRIOR FY (DOLLARS)	PCT OF SALES	ACTUAL (DOLLARS)	PCT OF SALES	BUDGET (DOLLARS)	PRIOR FY (DOLLARS)	PCT OF SALES
RETAIL DEPTS											
SALES	A	3	0.0	0	10,937	8.1	0	0.0	0	32,351	10.7
	B	22,307	21.4	23,926	24,825	15.7	56,625	23.1	48,301	57,170	18.9
	C	39,097	36.5	41,185	45,692	34.7	78,761	32.3	78,341	91,792	30.5
	F	44,900	42.0	54,117	47,951	37.9	108,048	44.4	134,493	119,582	39.7
	TOTAL	106,901	100.0	119,102	131,365	100.0	243,235	100.0	261,176	300,897	100.0
GROSS INC.	A	(3)	0.0	3	4,681	42.7	(3)	0.0	0	14,042	43.4
	B	4,517	19.7	4,813	5,004	20.1	12,782	22.6	11,084	11,904	20.8
	C	9,141	23.3	7,666	9,385	20.5	17,553	22.2	14,954	19,160	20.8
	F	13,301	29.9	13,756	12,346	24.7	26,943	24.9	31,793	23,985	25.0
	TOTAL	23,157	21.5	25,527	31,418	23.3	57,279	23.5	57,834	75,093	24.9
SALARIES		5,936	5.5	12,614	13,615	10.3	26,180	10.7	34,998	37,777	12.5
EMPLOYEE BENEFITS		931	0.8	1,259	1,512	1.1	4,207	1.7	3,312	4,177	1.3
SUPPLIES		1,066	0.9	527	1,535	1.1	1,325	0.5	1,175	1,736	0.5
* MISCELLANEOUS		3,625	3.3	2,671	2,573	1.9	8,055	3.3	6,308	6,840	2.2
OPER. INCOME		11,607	10.8	6,955	12,180	9.2	17,510	7.1	8,040	24,561	8.1
MANUAL FOOD											
SALES		73,618	100.0	58,543	57,840	120.0	194,491	100.0	179,658	174,237	100.0
GROSS INC.		44,895	63.5	37,148	34,158	59.0	125,477	64.5	114,522	106,910	61.3
SALARIES		29,048	41.1	21,418	23,052	19.8	71,803	36.9	66,958	65,735	37.7
EMPLOYEE BENEFITS		5,197	7.3	4,055	3,081	5.3	13,835	7.1	12,445	8,890	5.1
SUPPLIES		7,251	10.2	3,493	3,056	5.2	22,031	11.3	10,380	8,698	4.9
* MISCELLANEOUS		5,022	7.1	38,017	9,950	17.2	14,095	7.2	49,921	14,611	8.3
OPER. INCOME	(	1,623)	2.2)	10,015)	4,990)	8.6)	3,651	1.8	(25,383)	8,974	5.1
AUTOMATIC FOOD											
SALES		7,840	100.0	7,239	7,184	100.0	25,100	100.0	20,500	20,360	100.0
GROSS INC.		1,528	45.0	1,633	2,155	30.0	11,313	45.0	4,632	6,108	30.0
**MISCELLANEOUS		299	3.8	314	1,230	17.1	1,254	4.9	889	3,450	16.9
OPER. INCOME		3,228	41.1	1,285	925	12.8	10,358	40.0	3,744	2,658	13.0
AUTOMATIC BEV.											
SALES		14,050	100.0	12,430	12,765	100.0	58,323	100.0	50,500	49,555	100.0
GROSS INC.		9,122	65.0	4,753	5,186	30.0	26,152	45.0	13,736	14,866	30.0
**MISCELLANEOUS		1,232	8.8	333	1,685	9.7	4,143	7.1	2,574	5,106	10.3
OPER. INCOME		6,889	48.1	3,765	3,500	20.2	22,309	37.9	10,859	9,759	19.6
SERVICE DEPTS											
SALES		1,427	100.0	933	1,163	100.0	3,892	100.0	2,740	3,230	100.0
GROSS INC.		602	42.2	369	403	34.7	1,437	36.9	1,201	1,228	38.0
**MISCELLANEOUS		214	15.0	213	423	36.4	737	18.9	658	1,176	36.4
OPER. INCOME		388	27.1	157	2316	1.7)	699	17.9	542	51	1.5
TOTAL SALES		204,837	100.0	200,273	214,823	100.0	524,743	100.0	514,625	548,281	100.0
CANTEEN ADM SALARIES		13,911	9.3	3	0	0.0	20,499	3.8	0	0	0.0
ADMIN & ACCTG-CORPC		7,708	3.7	9,083	6,358	2.9	21,463	4.0	24,780	22,255	4.0
***NON-OPER INCM/LOSS		181	0.0	1,5131	82	0.0	168	0.0	3,4313	254	0.0
NET INCOME		1,971	0.9	27,9471	5,318	2.4	12,190	2.3	30,4083	24,005	4.3

* INCLUDES: REPAIRS, MAINTENANCE CONTRACT EXPENSES, RENT, TELEPHONES, DEPRECIATION ON EQUIP., CASH OVER OR SHORT, ARMORED CAR SRVC EXPENSE, INCOME FROM VEG. COUPONS, CREDIT CARD COSTS AND OTHER CANTEEN OVERHEAD EXPENSES

** INCLUDES: SALARIES, REPAIRS, MAINTENANCE, RENT, DEPRECIATION ON EQUIP. AND EMPLOYEE BENEFITS

*** INCLUDES: RETURNED CHECK LOSSES, NON-DEPT SPECIFIC CASH VARIANCES, ACCOUNTS RECEIVABLE LOSSES, PETTY CASH OR CHANGE FUND LOSSES, SALES OF NON-DEPR. ASSETS, GAINS AND LOSSES IN MERCHANDISE TRANSACTIONS, TOBACCO COUPON INCOME, GAINS OR LOSSES ON RETIREMENT OF FIXED ASSETS, GAINS OR LOSSES ON THE DISPOSAL OF EQUIPMENT, ENTERPRISE INCOME AND BANK SERVICE CHARGES



VETERAN CANTEEN SERVICE
INCOME & EXPENSE SUMMARY

		CURRENT MONTH ACTUAL (THOUSANDS)	PCT OF SALES	BUDGET (THOUSANDS)	PRIOR FY (THOUSANDS)	PCT OF SALES	FISCAL YEAR TO DATE ACTUAL (THOUSANDS)	PCT OF SALES	[illegible]	[illegible]	[illegible]
RETAIL DEPTS											
SALES	A	0	0.0	0	10,975	6.7	479	0.2	0	20,479	9.1
	B	21,516	17.6	25,859	26,290	16.2	36,732	20.0	38,049	38,732	20.2
	C	63,597	52.2	74,632	79,210	48.4	134,519	49.0	112,301	113,706	20.2
	D	36,702	30.1	52,375	49,618	30.3	82,754	30.1	90,363	90,552	21.0
	TOTAL	121,816	100.0	152,482	164,194	100.0	274,482	100.0	254,972	263,039	100.0
GROSS INC.	A	(0)	0.0	0	3,491	31.8	299	62.4	0	8,499	32.0
	B	5,148	23.9	5,888	5,584	21.2	13,004	23.9	12,947	12,892	20.8
	C	12,682	19.9	16,281	16,325	21.6	27,548	20.4	21,581	24,565	21.8
	D	9,312	25.3	12,381	12,527	25.2	21,085	25.4	22,290	24,593	27.3
	TOTAL	27,142	22.2	32,470	37,928	23.3	61,938	22.5	57,819	64,549	24.5
SALARIES		8,287	6.7	11,975	11,826	7.2	24,905	9.1	20,711	22,459	8.5
EMPLOYEE BENEFITS		1,303	1.0	4,268	1,598	0.9	4,295	1.5	7,487	4,868	1.8
SUPPLIES		45	0.0	684	0	0.0	1,256	0.4	1,290	846	0.2
* MISCELLANEOUS		2,339	2.1	3,465	3,428	2.1	5,790	2.1	5,349	5,830	2.1
OPER. INCOME		14,967	12.2	12,079	21,075	12.9	25,611	9.3	9,160	18,932	6.9
MANUAL FOOD											
SALES		76,401	100.0	100,886	95,523	100.0	234,348	100.0	232,965	220,882	100.0
GROSS INC.		52,440	68.6	64,259	49,124	51.4	158,089	67.4	148,631	148,706	68.7
SALARIES		23,548	30.8	37,630	26,835	28.0	72,489	30.9	68,126	70,238	31.9
EMPLOYEE BENEFITS		4,346	5.6	6,989	3,609	3.7	13,304	5.6	16,138	10,634	4.8
SUPPLIES		3,841	5.0	5,997	9,076	9.5	10,518	4.4	13,848	12,303	5.5
* MISCELLANEOUS		2,632	3.4	2,933	2,355	2.6	7,198	3.0	8,096	8,253	3.8
OPER. INCOME		18,080	23.6	11,235	7,046	7.3	54,586	23.2	25,121	32,657	14.8
AUTOMATIC FOOD											
SALES		3,406	100.0	3,253	6,042	100.0	9,663	100.0	9,708	9,816	100.0
GROSS INC.		585	17.1	355	1,014	16.7	1,652	17.1	1,008	1,507	16.7
* MISCELLANEOUS		73	2.1	177	263	4.3	298	3.0	373	605	6.7
OPER. INCOME		511	15.0	188	790	12.4	1,361	14.0	734	901	9.9
AUTOMATIC BEV.											
SALES		6,577	100.0	10,846	10,972	100.0	17,055	100.0	16,324	16,514	100.0
GROSS INC.		1,197	18.2	1,879	2,017	18.3	3,116	18.2	4,448	3,039	18.4
* MISCELLANEOUS		123	1.8	585	1,419	12.9	411	2.4	989	1,884	18.9
OPER. INCOME		1,073	16.3	6,210	598	5.4	2,705	15.8	3,454	1,239	7.4
SERVICE DEPTS											
SALES		5,355	100.0	10,284	9,770	100.0	18,807	100.0	22,723	21,566	100.0
GROSS INC.		2,926	46.0	2,324	1,761	17.8	8,608	45.7	10,438	9,097	42.1
* MISCELLANEOUS		1,616	29.4	2,393	3,435	35.6	5,964	31.7	6,886	11,756	54.5
OPER. INCOME		1,310	20.6	6503	3,6943	37.81	2,643	14.0	3,551	2,6583	12.31
TOTAL SALES		216,556	100.3	277,729	264,503	100.8	554,348	100.8	546,285	556,388	100.0
CANTEEN ADM SALARIES		7,872	3.6	0	0	0.0	19,338	3.4	0	0	0.0
ADMIN & ACCTG-CO/FC		9,009	3.7	11,221	8,431	2.9	22,703	4.0	29,377	21,828	3.9
* NON-OPER INCM/LOSS	(	43711	0.21	169	776	0.2	388	0.0	322	912	0.1
NET INCOME		19,543	9.1	17,996	18,119	6.3	45,556	8.2	12,968	30,139	5.4

* INCLUDES: REPAIRS, MAINTENANCE CONTRACT EXPENSES, RENT, DEPRECIATION ON EQUIP., CASH OVER OR SHORT, ARMORED CAR SERVC EXPENSE, INCOME FROM MFG. COUPONS, CREDIT CARD COSTS AND OTHER CANTEEN OVERHEAD EXPENSES

** INCLUDES: SALARIES, REPAIRS, MAINTENANCE, RENT, DEPRECIATION ON EQUIP. AND EMPLOYEE BENEFITS

*** INCLUDES: RETURNED CHECK LOSSES, NON-DEPT SPECIFIC CASH VARIANCES, ACCOUNTS RECEIVABLE LOSSES, PETTY CASH OR CHANGE FUND LOSSES, SALES OF NON-EQUIP. ASSETS, GAINS AND LOSSES ON MERCHANDISE TRANSACTIONS, TOBACCO COUPON INCOME, GAINS OR LOSSES ON PATIENT COUPON TRANSACTIONS, GAINS OR LOSSES ON THE DISPOSAL OF EQUIPMENT, INTEREST INCOME AND BANK SERVICE CHARGES

GL730
AS OF 12-11-87

INCOME & EXPENSE SUMMARY

	CURR MONTH ACTUAL (DOLLARS)	CURR MONTH PCT OF SALES	CURR MONTH BUDGET (DOLLARS)	CURR MONTH PRIOR YR (DOLLARS)	CURR MONTH PCT OF SALES	FISCAL YEAR-TO-DATE ACTUAL (DOLLARS)	FISCAL YEAR-TO-DATE PCT OF SALES	FISCAL YEAR-TO-DATE BUDGET (DOLLARS)	FISCAL YEAR-TO-DATE PRIOR YR (DOLLARS)	FISCAL YEAR-TO-DATE PCT OF SALES
RETAIL DEPTS										
SALES A	0	0.0	3	10,975	6.7	479	0.1	0	20,349	9.1
B	28,516	17.6	25,814	26,290	15.2	56,732	20.6	56,628	59,011	29.1
C	93,597	57.7	76,417	75,110	45.6	136,515	49.0	117,301	111,706	39.1
E	35,702	19.1	52,173	49,618	13.5	82,754	30.1	95,541	98,532	11.3
TOTAL	171,816	100.0	152,462	162,194	103.0	276,481	100.0	269,472	288,620	100.0
GROSS INC. A	83	0.0	3	1,491	11.8	2998	62.49	0	8,419	37.0
B	5,149	23.9	5,848	5,586	21.2	13,604	23.9	12,097	12,092	20.8
C	17,682	17.9	16,731	16,325	21.6	27,548	20.4	21,441	24,561	21.6
E	8,317	25.3	12,351	12,527	25.2	21,085	25.4	22,190	22,200	24.5
TOTAL	27,142	22.2	32,473	37,929	23.3	61,931	22.5	57,829	67,293	23.3
SALARIES	9,267	5.7	11,973	11,826	7.2	24,785	9.1	26,751	35,310	12.5
EMPLOYEE BENEFITS	1,301	1.0	4,268	1,598	3.9	4,295	1.5	7,407	4,868	1.6
SUPPLIES	45	0.0	685	0	3.0	1,236	0.4	1,193	846	0.7
* MISCELLANEOUS	2,559	2.1	3,455	3,428	2.1	5,730	2.1	6,519	6,336	2.1
OPER. INCOME	14,967	12.2	12,079	21,075	12.1	25,611	9.3	5,160	19,932	6.5
MANUAL FOOD										
SALES	74,681	100.0	100,885	95,571	130.0	236,340	130.0	232,965	270,587	100.0
GROSS INC.	52,440	68.6	64,355	49,126	51.4	158,089	67.4	148,531	140,706	63.7
SALARIES	23,540	10.8	17,630	24,835	28.3	72,489	30.9	86,324	78,358	35.5
EMPLOYEE BENEFITS	4,346	5.6	4,959	3,603	3.7	13,304	5.6	16,119	10,634	4.8
SUPPLIES	3,841	5.0	5,997	9,076	9.5	10,518	4.4	13,348	12,301	5.5
* MISCELLANEOUS	2,632	3.4	2,563	2,555	2.6	7,190	3.0	6,696	6,753	3.0
OPER. INCOME	18,080	21.6	11,215	7,046	7.1	54,586	23.2	25,121	32,657	14.8
AUTOMATIC FOOD										
SALES	3,406	100.0	3,753	6,042	100.2	9,663	100.0	9,700	9,816	100.0
GROSS INC.	585	17.1	355	1,014	16.7	1,692	17.1	1,088	1,507	16.7
**MISCELLANEOUS	71	2.1	177	263	4.1	230	3.8	353	405	6.7
OPER. INCOME	511	15.0	189	750	17.4	1,351	14.0	734	901	9.9
AUTOMATIC REV.										
SALES	6,527	100.0	10,846	10,972	100.0	17,055	100.0	16,324	14,514	100.0
GROSS INC.	1,197	19.7	5,823	2,017	14.3	3,116	18.2	4,440	3,039	18.4
**MISCELLANEOUS	123	1.8	681	1,419	12.9	411	2.4	385	1,804	10.9
OPER. INCOME	1,073	16.3	4,210	599	5.4	2,705	15.8	3,454	1,235	7.4
SERVICE DEPTS										
SALES	5,355	193.0	10,284	9,770	100.0	18,807	100.0	22,723	21,566	100.0
GROSS INC.	2,925	45.0	2,324	1,741	17.8	8,608	45.7	10,433	9,097	42.1
**MISCELLANEOUS	1,614	29.4	2,393	5,435	55.5	5,964	31.7	6,986	11,756	54.5
OPER. INCOME	1,110	20.6	65911	3,69431	37.91	2,643	14.0	3,551	2,65811	12.11
TOTAL SALES	284,556	100.0	277,729	284,503	100.0	556,348	100.0	546,705	456,300	100.0
CANTEEN ADM SALARIES	2,872	1.4	0	0	0.0	19,338	3.4	0	0	0.0
ADMIN & ACCTG-CO/PC	5,087	1.7	11,271	8,431	2.9	22,703	4.0	25,377	21,870	3.9
***NON-OPER INCM/LOSS	43711	0.21	159	776	0.2	388	0.0	322	912	0.1
NET INCOME	19,543	9.1	17,994	18,119	6.1	45,556	8.2	12,968	30,159	5.4

* INCLUDES: REPAIRS, MAINTENANCE CONTRACT EXPENSES, RENT, TELEPHONES, DEPRECIATION ON EQUIP., CASH OVER OR SHORT, ARMORED CAR SERV
EXPENSE, INCOME FROM VEG. COUPONS, CREDIT CARD COSTS AND OTHER CANTEEN OVERHEAD EXPENSES

** INCLUDES: SALARIES, REPAIRS, MAINTENANCE, RENT, DEPRECIATION ON EQUIP. AND EMPLOYEE BENEFITS

*** INCLUDES: RETURNED CHECK LOSSES, NON-[illegible] CASH VARIANCES, ACCOUNTS RECEIVABLE LOSSES, PETTY CASH OR CHANGE FUND LOSSES
SALES OR NON-[illegible] [illegible] LOSSES ON MERCHANDISE TRANSACTIONS, TOBACCO COUPON INCOME, GAINS OR LOSSES ON
PATIENT [illegible] [illegible] ON THE DISPOSAL OF EQUIPMENT, INTEREST INCOME AND BANK SERVICE CHARGES

55/89				INCOME & EXPENSE SUMMARY							
AS OF 12-31-87											
			E A R N I N G S					F I S C A L			
			ACTUAL	PCT OF	BUDGET	PRIOR YR	PCT OF	ACTUAL	PCT OF	BUDGET	PRIOR YR
			12MO.ENDED	SALES	12MO.ENDED	12MO.ENDED	SALES	12MO.ENDED	SALES	12MO.ENDED	12MO.ENDED
GENERAL DEPTS											
SALES	A		0	0.0	0	12,322	0.0	0	0.0	0	38,272
	B		33,949	12.7	35,685	35,698	12.7	40,356	16.2	41,979	41,694
	C		69,834	52.7	56,431	67,735	49.1	125,368	50.5	139,519	136,714
	P		52,974	34.4	37,835	36,953	28.9	82,481	33.2	89,367	83,374
	TOTAL		176,770	100.0	137,922	177,708	100.0	248,214	100.0	248,755	279,916
GROSS INC.	A		3	36.4	3	4,002	32.4	3	36.4	0	12,555
	B		4,125	25.0	3,603	3,841	24.7	10,456	25.9	9,567	10,120
	C		13,117	19.9	17,287	14,914	23.5	26,178	20.8	27,583	27,182
	P		9,304	21.8	6,865	9,744	25.3	17,548	21.2	20,179	19,333
	TOTAL		26,630	21.1	21,831	31,943	25.0	54,187	21.8	57,582	69,187
SALARIES			5,548	5.2	10,747	9,522	7.5	19,139	7.7	20,361	25,913
EMPLOYEE BENEFITS			1,008	0.8	1,331	1,747	0.9	3,042	1.2	4,206	3,576
SUPPLIES			8	0.0	530	117	0.0	263	0.1	1,110	584
* MISCELLANEOUS			2,398	1.9	2,771	2,748	2.1	5,193	2.1	6,243	6,197
OPER. INCOME			24,566	13.1	7,551	18,107	14.1	26,368	10.6	7,357	31,915
MANUAL FOOD											
SALES			44,141	100.0	44,383	43,997	100.0	132,912	100.0	139,245	138,983
GROSS INC.			25,277	59.5	24,129	10,561	24.0	79,206	59.5	80,834	81,826
SALARIES			13,935	31.5	15,473	19,972	45.3	42,303	31.8	51,395	55,788
EMPLOYEE BENEFITS			2,899	6.5	3,053	3,173	7.2	8,713	6.5	9,646	9,521
SUPPLIES			2,823	6.5	2,829	6,626	15.1	6,962	5.2	8,277	7,596
* MISCELLANEOUS			1,418	3.2	1,373	1,548	3.5	4,127	3.1	4,485	4,623
OPER. INCOME			4,057	13.5	4,533	18,754	42.6	17,118	12.8	14,537	324
AUTOMATIC FOOD											
SALES			6,639	100.0	7,813	7,273	100.0	21,749	100.0	23,330	21,332
GROSS INC.			1,955	29.1	2,273	2,116	29.0	6,329	29.1	7,224	6,207
*MISCELLANEOUS			130	1.5	227	112	1.5	336	1.5	668	332
OPER. INCOME			2,325	27.5	2,193	2,003	27.5	5,992	27.5	6,556	5,876
AUTOMATIC DEV.											
SALES			12,527	100.0	11,283	10,755	100.0	31,154	100.0	32,450	30,584
GROSS INC.			3,645	29.0	3,358	3,115	29.1	9,065	29.1	9,326	8,876
*MISCELLANEOUS			194	1.5	301	155	1.5	484	1.5	1,092	475
OPER. INCOME			3,451	27.5	2,585	2,949	27.5	8,551	27.5	7,731	8,401
SERVICE DEPTS											
SALES			1,955	100.0	2,253	2,208	100.0	4,855	100.0	6,076	5,597
GROSS INC.			1,214	62.0	1,297	1,043	47.2	2,961	61.6	3,758	3,436
*MISCELLANEOUS			1,793	44.1	1,213	958	43.3	2,928	42.9	3,258	3,505
OPER. INCOM			2931	4.01	51	84	3.8	33	3.7	3231	6931
TOTAL SALES			191,834	100.3	133,333	191,892	100.3	438,605	109.0	467,505	476,314
CANTEEN ADM SALARIES			5,850	3.5	3	3	0.0	18,293	4.1	0	0
ADMIN & ACCTG-CO/PC			7,237	3.7	7,439	6,789	3.2	17,546	4.0	21,467	18,124
***NON-OPER INCM/LOSS			138	0.0	138	345	0.1	138	0.0	352	236
NET INCOME			14,474	7.5	9,719	1.35331	8.71	22,246	5.0	15,365	28,561

* INCLUDES: REPAIRS, MAINTENANCE CONTRACT EXPENSES, RENT, TELEPHONES, DEPRECIATION ON EQUIP., CASH OVER OR SHORT, AMORTD C&D SERV EXPENSE, INCOME FROM MFG. COUPONS, CREDIT CARD COSTS AND OTHER CANTEEN OVERHEAD EXPENSES

** INCLUDES: SALARIES, REPAIRS, MAINTENANCE, RENT, DEPRECIATION ON EQUIP, AND EMPLOYEE BENEFITS

*** INCLUDES: RETURNED CHECK LOSSES, NON-DEPT SPECIFIC CASH VARIANCES, ACCOUNTS RECEIVABLE LOSSES, PETTY CASH OR CHANGE FUND LOSSES SALES OF NON-EQUIP. ASSETS, GAINS AND LOSSES ON MERCHANDISE TRANSACTIONS, TOBACCO COUPON INCOME, GAINS OR LOSSES ON PARTIAL EQUIP. SALES TAXES, GAINS OR LOSSES ON THE DISPOSAL OF EQUIPMENT, INTEREST INCOME AND BANK SERVICE CHARGES

Attachment 25

EFFECT ON FTEE IN CANTEENS AUTHORIZED CESSATION OF THE SALE TOBACCO PRODUCTS

YEAR DISCONTINUED	MEDICAL CENTER	REDUCTION IN FTEE*
1986	Biloxi, MS	Yes (1.5)
1986	Boise, ID	Yes (0.25)
1986	Amarillo, TX	No
1987	Albany, NY	No
1987	Baltimore, MD	No
1987	Charleston, SC	Yes (1.0)
1987	Denver, CO	Yes (1.4)
1987	Gainesville, FL	Yes (1.0)
1987	Madison, WI	Yes (1.8)
1987	Minneapolis, MN	Yes (1.4)
1987	San Diego, CA	Yes (1.9)
1987	Tampa, FL	Yes (1.0)
1987	Dayton, OH (Brown Division)	No
1987	Louisville, KY	No
1987	Milwaukee, WI	No

*Reduction in FTEE is not directly related to elimination of tobacco sales but is a reflection of a reduction in unproductive hours of operation or other management initiatives.

Attachment 27

LIST OF VCS SELL PRICE OF
CIGARETTES COMPARED TO
COMMUNITY PRICES

REGION 1

		AVG. COMMUNITY PRICE	VCS SELLING PRICE
402	Togus, ME	$1.39	$1.40
405	Wh. River Jct., VT	$1.27	$1.30
455	San Juan, PR	$1.38	$1.40
500	Albany, NY	NO CIGARETTES	
513	Batavia, NY	$1.46	$1.30
514	Bath, NY	$1.32	$1.30
518	Bedford, MA	$1.34	$1.35
523	Boston, MA	$1.48	$1.45
525	Brockton, MA	$1.33	$1.35
526	Bronx, NY	$1.42	$1.40
527	Brooklyn, NY	$1.49	$1.40
528	Buffalo, NY	$1.44	$1.30
532	Canandaigua, NY	$1.44	$1.40
533	Castle Pt., NY	$1.42	$1.40
608	Manchester, NY	$1.18	$1.20
620	Montrose, NY	$1.48	$1.40
627	Newington, CT	NO CIGARETTES	
630	New York, NY	$1.33	$1.35
631	Northampton, MA	$1.42	$1.40
632	Northport, NY	$1.36	$1.40
650	Providence, RI	$1.16	$1.15
670	Syracuse, NY	$1.39	$1.40
689	West Haven, CT	$1.29	$1.30
690	W. Roxbury, MA	$1.40	$1.40
725	St. Albans, NY	$1.37	$1.35

REGION 2

		AVG. COMMUNITY PRICE	VCS SELLING PRICE
460	Wilmington, DE	$1.26	$1.25
503	Altoona, PA	$1.28	$1.25
512	Baltimore, MD	NO CIGARETTES	
517	Beckley, WV	$1.26	$1.25
529	Butler, PA	$1.17	$1.15
540	Clarksburg, WV	$1.24	$1.25
542	Coatesville, PA	$1.26	$1.30
558	Durham, NC	$ .97	$ .95
561	East Orange, NJ	$1.33	$1.35
562	Erie, PA	$1.30	$1.25
565	Fayetteville, NC	$1.04	$ .95
566	Ft. Howard, MD	$1.23	$1.20
581	Huntington, WV	$1.29	$1.25
590	Hampton, VA	$1.21	$1.20
595	Lebanon, PA	$1.25	$1.20
604	Lyons, NJ	$1.30	$1.30
613	Martinsburg, WV	$1.22	$1.20
621	Mt. Home, TN	$1.23	$1.15
637	Asheville, NC	$1.00	$ .95
641	Perry Point, MD	$1.24	$1.25
642	Philadelphia, PA	$1.38	$1.35
645	Pittsburgh (HD), PA	$1.19	$1.20
646	Pittsburgh (UD), PA	$1.19	$1.20
652	Richmond, VA	$1.05	$1.05
658	Salem, VA	$1.06	$1.05
659	Salisbury, NC	$ .95	$ .90
688	Washington, DC	$1.17	$1.20
693	Wilkes-Barre, PA	$1.20	$1.20

REGION 3

		AVG. COMMUNITY PRICE	VCS SELLING PRICE
508	Decatur, GA	NO CIGARETTES	
509	Augusta, GA	$1.08	$1.10
516	Bay Pines, FL	$1.35	$1.25
520	Biloxi, MS	NO CIGARETTES	
	Gulfport, MS	$1.05	$1.05
521	Birmingham, AL	$1.23	$1.20
534	Charleston, SC	NO CIGARETTES	
544	Columbia, SC	$1.14	$1.10
546	Miami, FL	$1.33	$1.25
557	Dublin, GA	$1.09	$1.10
573	Gainesville, FL	NO CIGARETTES	
586	Jackson, MS	$1.26	$1.15
594	Lake City, FL	$1.38	$1.25
596	Lexington, KY	$1.03	$1.05
603	Louisville, KY	NO CIGARETTES	
614	Memphis, TN	$1.25	$1.15
619	Montgomery, AL	$1.19	$1.15
622	Murfreesboro, TN	$1.21	$1.15
626	Nashville, TN	$1.21	$1.15
673	Tampa, FL	NO CIGARETTES	
679	Tuscaloosa, AL	$1.11	$1.10
680	Tuskegee, AL	$1.23	$1.20
905	Augusta, GA	$1.08	$1.10

REGION 4

		AVG. COMMUNITY PRICE	VCS SELLING PRICE
506	Ann Arbor, MI	$1.18	$1.20
515	Battle Creek, MI	$1.20	$1.20
524	Brecksville, OH	$1.26	$1.15
535	Chicago, LS, IL	$1.72	$1.70
537	Chicago, WS, IL	NO CIGARETTES	
538	Chillicothe, OH	$1.17	$1.15
539	Cincinnati, OH	$1.21	$1.15
541	Cleveland, OH	$1.20	$1.20
550	Danville, IL	$1.26	$1.25
552	Dayton, OH*	$1.26	$1.20
553	Allen Park, MI	$1.18	$1.15
556	N. Chicago, IL	$1.24	$1.25
569	Ft. Wayne, IN	$1.12	$1.10
578	Hines, FL	$1.47	$1.45
583	Indianapolis, IN	$1.20	$1.20
585	Iron Mt, MI	$1.21	$1.20
607	Madison, WI	NO CIGARETTES	
609	Marion, IL	$1.15	$1.15
610	Marion, IN	$1.27	$1.15
655	Saginaw, MI	$1.27	$1.25
676	Tomah, WI	$1.39	$1.35
695	Milwaukee, WI	NO CIGARETTES	

* Only sold at the main canteen branch in the Domiciliary.

REGION 5

		AVG. COMMUNITY PRICE	VCS SELLING PRICE
436	Fort Harrison, MT	$1.15	$1.15
437	Fargo, ND	$1.43	$1.30
438	Sioux Falls, SD	$1.31	$1.30
442	Cheyenne, WY	$ .94	$ .95
452	Wichita, KS	$1.41	$1.25
543	Columbia, MO	NO CIGARETTES	
554	Denver, CO	NO CIGARETTES	
555	Des Moines, IA	$1.34	$1.35
567	Fort Lyon, CO	$1.35	$1.25
568	Ft. Meade, SD	$1.36	$1.30
574	Grand Island, NE	$1.37	$1.30
575	Grand Junction, CO	$1.24	$1.25
579	Hot Springs, SD	$1.40	$1.35
584	Iowa City, IA	$1.34	$1.35
587	St. Louis, MO (J.B.)	$1.24	$1.15
589	Kansas City, MO	$1.29	$1.25
592	Knoxville, IA	$1.34	$1.35
597	Lincoln, NE	$1.38	$1.35
617	Miles City, MT	$1.15	$1.15
618	Minneapolis, MN	NO CIGARETTES	
636	Omaha, NE	$1.26	$1.25
647	Poplar Bluff, MO	$1.27	$1.20
656	St. Cloud, MN	$1.61	$1.40
660	Salt Lake City, UT	$1.29	$1.25
666	Sheridan, WY	$1.10	$1.10
677	Topeka, KS	$1.39	$1.25
686	Leavenworth, KS	$1.32	$1.25
657	St. Louis, MO (J.C.)	$1.17	$1.15

REGION 6

		AVG. COMMUNITY PRICE	VCS SELLING PRICE
064	Palo Alto, CA	$1.24	$1.20
196	W. Los Angeles, CA	$1.31	$1.30
505	Tacoma, WA	$1.45	$1.45
530	Brentwood, CA	$1.31	$1.30
531	Boise, ID	NO CIGARETTES	
570	Fresno, CA	$1.24	$1.25
599	Livermore, CA	$1.32	$1.30
600	Long Beach, CA	$1.18	$1.20
605	Loma Linda, CA	NO CIGARETTES	
612	Martinez, CA	$1.29	$1.20
640	Menlo Park, CA	$1.24	$1.15
648	Portland, OR*	$1.40	$1.40
653	Roseburg, OR	$1.30	$1.25
654	Reno, NV	$1.22	$1.30
662	San Fran., CA	$1.22	$1.20
663	Seattle, WA	NO CIGARETTES	
664	San Diego, CA	NO CIGARETTES	
665	Sepulveda, CA	$1.28	$1.25
668	Spokane, WA**	$1.41	$1.40
683	Vancouver, WA	NO CIGARETTES	
687	Walla Walla, WA	$1.45	$1.40
691	W. Los Angeles, CA	$1.31	$1.30
692	White City, OR***	$1.44	$1.10 (Filter) $1.25 (Non-filter)

* Sale discontinued 1/24/88
** Sale discontinued 2/23/88
*** Per Request Domiciliary Director

REGION 7

		AVG. COMMUNITY PRICE	VCS SELLING PRICE
501	Albuquerque,NM	$1.20	$1.20
502	Alexandria, LA	$1.25	$1.20
504	Amarillo, TX	NO CIGARETTES	
519	Big Spring, TX	$1.38	$1.35
522	Bonham, TX	$1.39	$1.25
549	Dallas, TX	$1.39	$1.25
564	Fayetteville, AR	$1.28	$1.25
580	Houston, TX	$1.47	$1.25
591	Kerrville, TX	$1.33	$1.25
598	Little Rock, AR	NO CIGARETTES	
611	Marlin, TX	$1.16	$1.15
623	Muskogee, OK	$1.15	$1.15
629	New Orleans, LA	$1.41	$1.25
635	Oklahoma City, OH	$1.35	$1.15
644	Phoenix, AZ	$1.09	$1.10
649	Prescott, AZ	$1.27	$1.15
667	Shreveport, LA	$1.29	$1.25
671	San Antonio, TX	$1.20	$1.20
674	Temple, TX	$1.30	$1.25
678	Tucson, AZ	$1.26	$1.25
685	Waco, TX	$1.30	$1.25
895	North Little Rock, AR	$1.29	$1.25

EFFECT ON SALES, PROFITS, ETC., IN CANTEENS AUTHORIZED CESSATION OF THE SALE OF TOBACCO PRODUCTS

COMPARISON FIRST FOUR MONTHS OF FY 1988 TO FY 1987

MEDICAL CENTER	RETAIL SALES	PROFIT (NET INCOME)	HOURS OF OPERATION	CHANGE IN EMPLOYMENT	CHANGE IN SERVICES
Biloxi, MS	($28,477)	$ 2,718	Hours on weekend reduced	(1.5)	No change
Boise, ID	2,019	(357)	Cut 1½ hour each day	(.25)	No change
Albany, NY	(69,768)	(30,761)	No change	No change	No change
Amarillo, TX	1,204	(239)	No change	No change	No change
Baltimore, MD	9,701	(2,798)	No change	No change	No change
Charleston, SC	(22,357)	(1,986)	Weekends eliminated	(1.0)	No change
Denver, CO	(32,941)	(9,241)	Closed Sat.	(1.4)	No barber
Gainesville, FL	(69,190)	(16,668)	No change	(1.0)	No change
Madison, WI	(19,545)	(6,010)	Saturdays eliminated	(1.8)	No change
Minneapolis, MN	(70,408)	4,451	Minor change on weekends	(1.4)	No change
San Diego, CA	(18,341)	14,822	Sundays eliminated	(1.9)	No change
Tampa, FL	(46,749)	(8,974)	No change	(1.0)	No change
Dayton, OH (Brown Division)	818	3,520	No change	No change	No change
Louisville, KY	Comparison cannot be made as sale of cigarettes was discontinued on 2/1/88.				
Milwaukee, WI	Comparison cannot be made as sale of cigarettes was discontinued on 1/24/88.				

Attachment 28

Attachment 32

TITLE 38, UNITED STATES CODE, CHAPTER 75 - VETERANS' CANTEEN SERVICE

PURPOSE OF VETERANS CANTEEN SERVICE

SEC. 4201. The Veterans' Canteen Service (hereafter in this chapter referred to as the "Service") in the Veterans' Administration is an instrumentality of the United States, created for the primary purpose of making available to veterans of the Armed Forces who are hospitalized or domiciled in hospitals and homes of the Veterans' Administration, at reasonable prices, articles of merchandise and services essential to their comfort and well-being.

DUTIES OF ADMINISTRATOR WITH RESPECT TO SERVICE

SEC. 4202. The Administrator shall:

(1) establish, maintain, and operate canteens where deemed necessary and practicable at hospitals and homes of the Veterans' Administration and at other Veterans' Administration establishments where similar essential facilities are not reasonably available from outside commercial sources;

(2) establish, maintain, and operate such warehouses and storage depots as may be necessary in operating the canteens;

(3) furnish the Service for its use in connection with the establishment, maintenance, and operation thereof, such space, buildings, and structures under control of the Veterans' Administration as the Administrator may consider necessary, including normal maintenance and repair service thereon. Reasonable charges, to be determined by the Administrator, shall be paid annually by the Service for the space, buildings, and structures so furnished, except that the Administrator may reduce or waive such charges whenever payment of such charges would impair the working capital required by the Service;

(4) transfer to the Service without charge, rental, or reimbursement such necessary equipment as may not be needed for other purposes, and furnish the Service such services and utilities, including light, water, and heat, as may be available and necessary for its use. Reasonable charges, to be determined by the Administrator, shall be paid annually by the Service for the utilities so furnished;

(5) employ such persons as are necessary for the establishment, maintenance, and operation of the Service, and pay the salaries, wages, and expenses of all such employees from the funds of the Service. Personnel necessary for the transaction of the business of the Service at canteens, warehouses, and storage depots shall be appointed, compensated from funds of the Service, and removed by the Administrator without regard to civil-service laws and the Classification Act of 1949. Such employees shall be subject to the Veterans' Preference Act of 1944, the Civil Service Retirement Act, and laws administered by the Bureau of Employees' Compensation applicable to civilian employees of the United States;

(6) make all necessary contracts or agreements to purchase or sell merchandise, fixtures, equipment, supplies, and services, without regard to section 5 of title 41, and to do all things necessary to carry out such contracts or agreements, including the making of necessary adjustments and compromising of claims in connection therewith;

(7) fix the prices of merchandise and services in canteens so as to carry out the purposes of this chapter;

(8) accept gifts and donations of merchandise, fixtures, equipment, and supplies for the use and benefit of the Service;

(9) make such rules and regulations, not inconsistent with the provisions of this chapter, as the Administrator considers necessary or appropriate to effectuate its purposes;

(10) delegate such duties and powers to employees as the Administrator considers necessary or appropriate, whose official acts performed within the scope of the delegated authority shall have the same force and effect as though performed by the Administrator;

(11) authorize the use of funds of the Service when available, subject to such regulations as he may deem appropriate, and without regard to the provisions of sections 521 and 543 of title 31, for the purpose of cashing checks, money orders, and similar instruments in nominal amounts for the payment of money presented by veterans hospitalized or domiciled at hospitals and homes of the Veterans' Administration, and by other persons authorized by section 4203 of this title to make purchases at canteens. Such checks, money orders, and other similar instruments may be cashed outright or may be accepted, subject to strict administrative controls, in payment for merchandise or services, and the difference between the amount of the purchase and the amount of the tendered instrument refunded in cash.

OPERATION OF SERVICE

SEC. 4203. (a) The canteens at hospitals and homes of the Veterans' Administration shall be primarily for the use and benefit of veterans hospitalized or domiciled at such hospitals and homes. Service at such canteens may also be furnished to personnel of the Veterans' Administration and recognized veterans' organizations employed at such hospitals and homes and to other persons so employed, to the families of all the foregoing persons who reside at the hospital or home concerned, and to relatives and other persons while visiting any of the persons named in this subsection; however, service to any person not hospitalized, domiciled, or residing at the hospital or home shall be limited to the sale of merchandise or services for consumption or use on the premises.

(b) Service at canteens other than those established at hospitals and homes shall be limited to sales of merchandise and services for consumption or use on the premises, to personnel employed at such establishments, their visitors, and other persons at such establishments on official business.

FINANCING OF SERVICE

SEC. 4204. To finance the establishment, maintenance, and operation of the Service there is hereby authorized to be appropriated, from time to time, such amounts as are necessary to provide for (1) the acquisition of necessary furniture, furnishings, fixtures, and equipment for the establishment, maintenance, and operation of canteens, warehouses, and storage depots; (2) stocks of merchandise and supplies for canteens and reserve stocks of same in warehouses and storage depots; (3) salaries, wages, and expenses of all employees; (4) administrative and operation expenses; and (5) adequate working capital for each canteen and for the Service as a whole. Amounts appropriated under the authority contained in this chapter, amounts heretofore appropriated to carry out Public Law 636, Seventy-ninth Congress, and all income from canteen operations become and will be administered as a revolving fund to effectuate the provisions of this chapter.

REVOLVING FUND

SEC. 4205. The revolving fund shall be deposited in a checking account with the Treasury of the United States. Such amounts thereof as the Administrator may determine to be necessary to establish and maintain operating accounts for the various canteens may be deposited in checking accounts in other depositories selected by the Administrator.

BUDGET OF SERVICE

SEC. 4206. The Service shall prepare annually and submit a budget program as provided for wholly owned Government corporations by sections 841-869 of title 31, which shall contain an estimate of the needs of the Service for the ensuing fiscal year including an estimate of the amount required to restore any impairment of the revolving fund resulting from operations of the current fiscal year. Any balance in the revolving fund at the close of the fiscal year in excess of the estimated requirements for the ensuing fiscal year shall be covered into the Treasury as miscellaneous receipts.

SERVICE TO BE INDEPENDENT UNIT

SEC. 4208. It is the purpose of this chapter that, under control and supervision of the Administrator, the Service shall function as an independent unit in the Veterans' Administration and shall have exclusive control over all its activities including sales, procurement and supply, finance, including disbursements, and personnel management, except as otherwise herein provided.

AUDIT OF ACCOUNTS

SEC. 4207. The Service shall maintain a set of accounts which shall be audited by the Comptroller General in accordance with the provisions of the Accounting and Auditing Act of 1950.

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tion facility and return of the body. Consent for the autopsy will be obtained as provided for in paragraph (e) of this section.

(16 FR 5701, June 15, 1951, as amended at 18 FR 2414, Apr. 24, 1953; 24 FR 8330, Oct. 14, 1959; 35 FR 6586, Apr. 24, 1970; 36 FR 23386, Dec. 9, 1971; 45 FR 6939, Jan. 31, 1980)

Veterans Canteen Service

§ 17.160 Organization.

The veterans canteen service, established by Public Law 636, 79th Congress, as amended, will function as a unit within the Department of Medicine and Surgery and will have exclusive responsibility for all its activities. To effectuate the purpose of the act, an organization has been established consisting of the VCS central office located at Washington, D.C., VCS field offices at five locations, and a canteen at each Veterans' Administration hospital, center and domiciliary.

(20 FR 337, Jan. 14, 1955)

§ 17.161 Delegation of authority.

In connection with the Veterans Canteen Service, the Chief Medical Director is hereby delegated authority as follows: (a) To exercise the powers and functions of the Administrator with respect to the maintenance and operation of the veterans canteen service.

(b) To designate the Assistant Chief Medical Director for Administration to administer the overall operation of the Veterans Canteen Service and to designate selected employees of the Veterans Canteen Service to perform the functions described in the enabling statute, 38 U.S.C. ch. 75, so as to effectively maintain and operate the Veterans Canteen Service.

(20 FR 337, Jan. 14, 1955, as amended at 36 FR 23386, Dec. 9, 1971; 45 FR 6939, Jan 31, 1980)

Aid to States for Care of Veterans in State Homes

§ 17.165 Recognition of a State home.

A State-operated facility which provides hospital, domiciliary or nursing home care to veterans must be formally recognized by the Administrator as a State home before Federal aid payments can be made for the care of such veterans. Any agency of a State (exclusive of a territory or possession) responsible for the maintenance or administration of a State home may apply for recognition by the Veterans Administration for the purpose of receiving aid for the care of veterans in such State home. A State home may be recognized if: (38 U.S.C. 210, 641)

(a) The State home is a facility which exists primarily for the accommodation of veterans incapable of earning a living and who are in need of domiciliary or nursing home care, and

(b) The majority of such veterans who are nursing home care patients or domiciliary members in the home are veterans who may be included in the computation of the amount of aid payable from the Veterans Administration, and

(c) The personnel, building and other facilities and improvements at the home are devoted primarily to the care of veterans, and

(d) In the case of recognition of State homes having nursing home care facilities the requirements of § 17.166a(b) are met.

(35 FR 3166, Feb. 19, 1970, as amended at 45 FR 6939, Jan. 31, 1980)

§ 17.165a Filing applications.

Applications for Veterans Administration recognition of a State home may be filed with the Chief Medical Director, Veterans Administration. After arranging for an inspection of the State home's facilities for furnishing domiciliary, nursing home or hospital care, the Chief Medical Director will make a recommendation to the Administrator who will notify the State official in writing of a decision.

(35 FR 3166, Feb. 19, 1970, as amended at 45 FR 6939, Jan. 31, 1980)

§ 17.165b Approval of annexes and new facilities.

Separate applications for recognition must be filed for any annex, branch, enlargement, expansion, or relocation of a recognized home which is not on the same or contiguous grounds on which the parent facility is located. When a recognized State home estab-

Attachment 33

IM&S MANUAL M-1, PART IV
1.02 a,b

CHAPTER 1. GENERAL

1.01 ORGANIZATION

a. The Veterans Canteen Service, an instrumentality of the United States, was established in the VA by Public Law 636, 79th Congress, 1946, as amended. The VCS furnishes, at reasonable prices, merchandise and services to specified classes of persons, and is financed by a revolving fund.

b. To carry out the purpose for which the VCS is authorized, an organization has been established consisting of a central office, five VCS field offices, and canteens located at VA health care facilities.

1.02 RESPONSIBILITY

a. VA's General Counsel Opinion, dated October 8, 1957, states that, since the Veterans Canteen Service is by law an independent unit in the VA, no instructions or directives may be issued which would place VCS under any degree of control or supervision by any official other than the Director, VCS, and superiors, including the Assistant Chief Medical Director for Administration, the Chief Medical Director, the Deputy Administrator, and the Administrator, with respect to performance of VCS duties and functions authorized by the law. While recommendations and suggestions may be made by other officials, all action on the basis of such recommendations or suggestions requiring direct control and supervision will be taken by the Administrator or subordinate officials who have delegated authority and responsibility for operation of the VCS.

b. The Director, VCS, under the direction of the Assistant Chief Medical Director for Administration, is designated to exercise exclusive control over the activities of the service, including the VCS field offices and health care facility canteens, as prescribed by 38 U.S.C. ch. 75, and VA Organization Manual, paragraph 203.7.

c. The Director, VCS, is authorized to designate selected employees of the VCS to perform any authorized function.

d. Field Directors, VCS, who report to the Director, VCS, are responsible for canteen activities within their areas.

e. Canteen Officers, who report to the Field Director, VCS, are responsible for all phases of canteen operations. They are responsible to both the health care facility Director and the Field Director, VCS, for certain administrative phases of canteen operation, as indicated elsewhere in this manual.

f. Health care facility Directors are not responsible for technical canteen operating matters. They do have a major interest in the extent and quality of canteen services provided, and should integrate the canteen program with other facility programs and schedules when areas of common interest exist. Health care facility Directors are responsible for providing to the canteen the services specified herein, including the following:

(1) Furnishes adequate space and maintains it in the same manner and like order and condition as space occupied by other organizational elements of the VA.

(2) In coordination with the Field Director, VCS, and the Canteen Officer, participates in determining the hours of canteen operation and the extent of canteen services, including authorized activities.

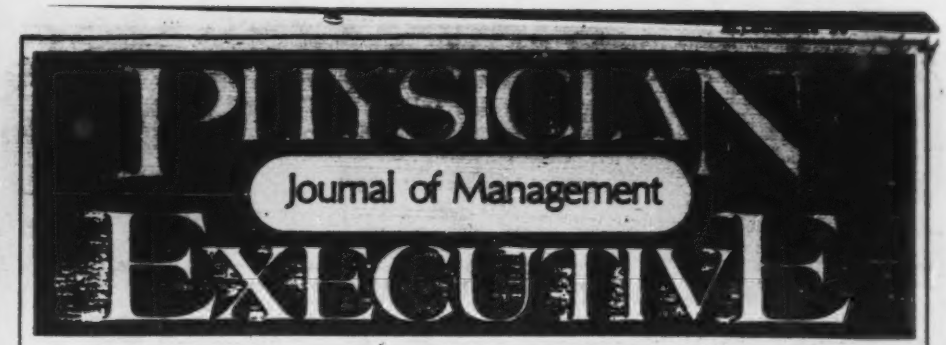
(3) Maintains housekeeping and sanitation in all areas of the canteen.

(4) Furnishes common services such as utilities, communications, forms, supplies, and repairs.

(5) Provides for canteen procurement of subsistence items from VA Supply Service.

(6) Includes the canteen in facility subsistence item contracts as requested.

(7) Provides facilities for supplementary feeding through vending machines.



Jan.-Feb. 1988
Volume 14, No. 1

Some Banking Lessons

While the comparisons are not without their flaws, both the health care and the banking industries are experiencing some of the same market dislocations. The approaches of banks can provide guidelines for health care organizations.

Scenarios Guide Planning

To develop a better focus of the health care business and to prepare better for an uncertain future, organizations need to assess the most likely scenarios that the future might bring.

Who's the Customer?

A well-planned and carefully implemented physician referral program can serve the needs of both patients and physicians and augment a hospital's marketing efforts.

Keep Eye on Quality

Managed care is becoming a more and more significant part of group practice operations. Key to success for the groups, however, is careful attention to issues of quality.

Hospitals Getting Tougher on Smoking Issue

by William M. Davis, MD

In mid-1986, a survey was conducted of AAMD hospital-based members to determine the degree to which hospitals had instituted smoking policies and the kinds of policies that were being used. A questionnaire was sent to approximately 700 members; 258 usable replies were returned. The results indicate that the overwhelming majority of hospitals have policies aimed at discouraging the smoking habit among employees, patients, medical staff members, and visitors.

Akron City Hospital has had a smoking policy in effect for employees, patients, and visitors for several years. In 1986, because of the increased controversy surrounding the smoking habit and because the hospital wanted to ascertain that its policy was in keeping with its health care mission, I asked the American Academy of Medical Directors to survey members in hospitals to determine how many had formal smoking policies. I also wanted to determine the degree to which the Akron City Hospital policies conformed with those of other institutions.

"Every employee and medical staff member has a responsibility to make the hospital a safe place for patients, visitors, invitees, and co-workers."

Of the 258 physician managers who responded to the survey questionnaire, 243 indicated that their hospitals have formal smoking policies. The others reported that no formal policies are in place. Twenty-five of the respondents reported that their institutions are entirely smoking free. Smoking is allowed in designated places by 231 hospitals.

Smoking signage is used extensively by hospitals. Permissible areas are designated by 245 institutions, and prohibitions are posted by 218.

Only 50 of the hospitals allow the sale of tobacco products on their premises. Special smoking privileges for patients were reported by 200 hospitals, usually only with physicians' permission. The issue of patient smoking was not addressed by 48 of the respondents.

Most hospital population groups are addressed in the policies reported: visitors (229 hospitals), patients (220 hospitals), employees (236 hospitals), medical staff (197 hospitals), and volunteers (190 hospitals).

The questionnaire attempted to determine the negative and positive outcomes of hospital smoking policies. Significant positive outcomes were reported for institutional safety, community image, and housekeeping and maintenance costs. Respondents were less impressed with the positive outcomes in the areas of employee health costs, employee productivity, linen usage, and patient referrals. No negative outcome received significant attention. (Among the items listed on the questionnaire were gift shop revenue, individual rights issues, grievances, and patient referrals.)

We believe that the survey results show that the policies in effect at Akron City Hospital generally follow a norm. Some of the hospitals supplied copies of policies that were substantially more severe. While we continue to monitor the smoking policy to assess its appropriateness in a changing environment concerning the smoking habit, no changes were deemed necessary as a result of the survey.

Regardless of the policy that is initiated, certain caveats are in order. A formal smoking policy involves demands for behavioral changes and should be approached with care. First, a grace period of two months should be used before any disciplinary moves are made. Reminders should be given during the grace period. Second, an awareness campaign should be conducted, providing details on the policy and its rationale. Employee assistance programs should be offered. Third, the policy should be approved by the medical executive committee and by the hospital board of trustees.

We believe that every employee and medical staff member has a responsibility to make the hospital a safe place for patients, visitors, invitees, and co-workers. As a result, our smoking policy applies to everyone in the hospital.

William M. Davis, MD, is Medical Director, Akron City Hospital, Akron, Ohio.

DON'T MISS SAN DEIGO!

MAY 5 - 7, 1988

THE 13TH ANNUAL NATIONAL CONFERENCE ON HEALTH CARE LEADERSHIP AND MANAGEMENT

The American Legion
For God and Country

★ WASHINGTON OFFICE ★ 1608 "K" STREET, N.W. ★ WASHINGTON, D.C. 20006 ★
(202) 861-2700 ★

June 28, 1988

Honorable Lane Evans, Chairman
Subcommittee on Oversight and Investigations
Committee on Veterans Affairs
U.S. House of Representatives
335 Cannon House Office Bldg.
Washington, DC 20515

Dear Chairman Evans:

The purpose of this letter is to serve as a statement for the record of the Subcommittee's hearing on June 23, 1988, relative to the Canteen Service of the VA's Department of Medicine and Surgery.

The Veterans' Canteen Service (VCS) has successfully served the needs of hospitalized and domiciled veteran patients for the past 41 years. This success is due in large part to the independence of the VCS operation. The common denominator of its operation is equal service to all veterans. This is the way it has been and we believe this is the way it should continue to be in the future.

There are two specific points upon which we would like to comment. First, The American Legion supports the continuation of smoking in designated areas in VA medical centers, and opposes a total ban on smoking. Also, The American Legion opposes the total elimination of tobacco products from VAMC Canteens. Both of these recommendations were adopted by The American Legion's National Executive Committee in May, 1987, and the Chief Medical Director was advised immediately thereafter.

The American Legion is of the opinion that veteran patients have rights too, and we believe this consideration should form the basis for sound decision making. We basically support the conclusions presented in the Price Waterhouse study of "The Implications of Eliminating the Sale of Tobacco Products in Canteens". We also suggest that the VA Department of Medicine and Surgery formalize its VAMC smoking policies and its policy on the sale of tobacco products in VAMC Canteens.

The other issue on which we would like to comment is OMB Circular A-76. The American Legion has testified twice on previous occasions before this Committee that we do not support privatizing any aspect of the Canteen operations, or for that matter, any aspect of the Department of Medicine and Surgery. The VCS has been a self-sustaining enterprise for the past 41 years and there is no evidence to suggest that contracting out VCS food preparation will significantly improve the quality of patient services. The VCS has been legislatively directed to exercise exclusive control over its operations and this policy has effectively permitted the VCS to be fiscally self-sustaining since 1946. It makes little practical sense to tamper with a successful operation.

Mr. Chairman, as always, we appreciate the Subcommittee's consideration of the views of The American Legion.

Sincerely,

E. PHILLIP RIGGIN
Director
National Legislative Commission

PARALYZED VETERANS
OF AMERICA
Chartered by the Congress
of the United States

STATEMENT FOR THE RECORD

BY

PARALYZED VETERANS OF AMERICA

CONCERNING THE

VETERANS' CANTEEN SERVICE

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATION

OF THE

HOUSE COMMITTEE ON VETERANS' AFFAIRS

JUNE 23, 1988

Mr. Chairman and Members of the Subcommittee, the Paralyzed Veterans of America extends our appreciation for this opportunity to present our views concerning the Veterans' Canteen Service (VCS). Our statement for the record will address the mission and independence of the VCS. We also wish to convey our concerns regarding the elimination of tobacco products and the A-76 cost analysis studies.

The success with which the VCS has fulfilled its mission is well documented. As budget cuts continue to erode the quality of many VA services, the VCS exemplifies a financially sound and efficiently managed program. Since its inception in 1946, the Veterans' Canteen Service has successfully carried out

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its mission as defined by title 38 U.S.C. The availability of reasonably priced merchandise, supplies, and services is essential to the comfort and well-being of veterans in VA Medical Centers. The VCS has excelled in the delivery of these services.

In addition to its primary mission of meeting the needs of hospitalized veterans, the VCS has also provided important services to VAMC employees and to the visitors of patients. Supplementary food services, including the use of vending machines and cafeteria-style food preparation centers, complete the full operation of this vital service.

PVA also appreciates the contribution VCS makes in certain patient care related areas. Many canteens provide extra or extended services through scheduled visits to the bedsides of nonambulatory patients. This is an essential service to many veterans, especially spinal cord injured veterans who, in many cases, are unable to leave the ward.

From a financial perspective the VCS is self-sustaining. It pays all of its own expenses, including salaries and wages, employee benefits, utilities and rent, maintenance and repair costs, and all other operating expenses. The VCS has been operating successfully from a common revolving fund with the profits of larger canteens offsetting the cost of maintaining those smaller canteens which do less business and are located in more remote areas. As you know, at the close of each fiscal year, any balance in excess of the estimated requirements for the ensuing fiscal year are placed into the Treasury as miscellaneous receipts. The forty-two year history of the VCS

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represents a program which has been operated efficiently and in a fiscally sound manner.

It is for these reasons that PVA continues to support the purpose and the independent nature of the Veterans' Canteen Service. To that end, we have serious concerns regarding several factors which significantly influence the operation of VAMC canteens.

The recent report submitted by Price Waterhouse ("The Implications of Eliminating the Sale of Tobacco Products in Canteens") indicates that VAMC Directors have a great deal of control over their respective canteens. If the Director and Canteen Chief have a good working relationship, the patients will ultimately benefit from a canteen that receives proper recognition from hospital management. Far too often, however, hospital management displays little interest in the canteen service and finds ways to circumvent formal VCS policies. Such factors as the allocation of space, hours of operation, services provided, and miscellaneous duties are all within the jurisdiction of the Director. A canteen's success or failure is, therefore, strongly influenced by hospital managers who frequently spend very little time on VCS operations.

One of the most astounding revelations regarding the VCS is the VA's recent admittance of ongoing A-76 cost analysis studies. PVA is at a loss for the reasons behind such initiatives. We cannot understand why the VA would undertake such studies when VCS funds are not part of federal appropriations and do not affect Department of Medicine & Surgery FTEE. We are also at a loss as to why this Subcommittee was not informed of the VA's intentions.

PVA is adamantly opposed to any attempt to contract out any veteran service functions presently being provided by the VCS. We view such initiatives as inappropriate and counterproductive to the mission of VCS. The Veterans Canteen Service is presently not only making a profit, but providing a service to hospitalized veterans. Efforts to put such services in the hands of private entrepreneurs would only benefit those interested in maximizing a profit. We strongly oppose A-76 initiatives and urge this Subcommittee to exclude the VCS from these studies.

Regarding the sale of tobacco products, PVA certainly recognizes and agrees with the Surgeon General's efforts to warn all smokers about the adverse health effects of using tobacco. We fully support any initiatives to provide programs within VA Medical Centers which would assist individuals, on a voluntary basis, to reduce or terminate their dependency on tobacco. Such programs represent responsible efforts to provide counseling and therapy to those who are addicted to nicotine. In terms of providing comprehensive health care, all medical centers should establish such programs that strive toward the betterment of an individual's general health.

The issue before us today is not whether smoking is healthy, but whether VA Medical Centers should prohibit the sale of tobacco products in VA canteens. PVA firmly believes that the VCS should offer the sale of such products.

At the outset, we acknowledge that in addition to programs to assist veterans in their efforts to stop smoking, there must be certain areas in VA Medical Centers where smoking should not be permitted both in compliance with safety standards and out of respect for non-smokers. Having stated that, however,

we do not believe that the prohibition of tobacco products in VA canteens represents a realistic, compassionate, or fiscally responsible philosophy.

Realistically, veterans who smoke, especially those who are addicted to tobacco, will simply purchase their cigarettes from a source outside the hospital. This results in decreased revenues for the canteen and increased cost for the veteran. Eliminating the sale of tobacco in canteens will have no effect on the availability of cigarettes for patients who choose to smoke. It is also unrealistic to believe that any effort to restrict such sales will have any relationship to an individual's ability to stop smoking.

For many hospitalized veterans, smoking represents a simple pleasure. For some, it is a singular, pleasant distraction in an environment normally associated with injury, disease, and pain. As the Price Waterhouse report stated, the VA must acknowledge the effect on those older smokers who would be denied access to tobacco products. PVA believes any attempt to prohibit the sale of such products represents a severe lack of compassion for these veterans.

In terms of financial implications, the removal of tobacco products from the shelves of VAMC canteens would be devastating. Price Waterhouse estimates that, in 1987, over $8 million would have been lost in direct and indirect sales. No other product can generate the revenue produced by tobacco sales. If such sales are discontinued, the mission of the VCS will be seriously jeopardized. Canteens will be forced to raise prices and reduce hours of operation. In addition to reduced revenues for the canteens, the elimination of tobacco products will take a heavy financial toll on veterans who use such

products. Smokers will simply pay the higher price elsewhere to satisfy their habit.

Finally, the Administrator of Veterans' Affairs and the Chief Medical Director have an obligation to explain on what basis local "Smoking Committees" and VAMC Directors can decide the fate of tobacco sales in canteens. In addition, it should be made clear by the Administrator for what purpose and to what extent A-76 analysis studies are being done. We congratulate you, Mr. Chairman, and Counsel, for your perseverance in this matter.

Mr. Chairman, that concludes our testimony. We will be happy to respond to any questions you may have.

THE NON COMMISSIONED OFFICERS ASSOCIATION OF THE UNITED STATES OF AMERICA

"STRENGTH IN UNITY"

Statement of

Richard W. Johnson, Jr.
Director of Legislative Affairs

before the

Subcommittee on Oversight and Investigations
Committee on Veterans' Affairs
United States House of Representatives

on the

VA Canteen Service

June 23, 1988

NATIONAL CAPITAL OFFICE
225 N. Washington Street • Alexandria, VA 22314 • Tele: (703) 549-0311

The Non Commissioned Officers Association of the USA (NCOA) sincerely appreciates the opportunity to comment on the operations of the Veterans' Canteen Service. Originally authorized in 1946, the Veterans' Canteen Service (VCS) is tasked with providing, at reasonable cost, merchandise and services essential to the well-being of patients in VA facilities. Currently, the VCS operates sundry stores, cafeterias, vending machines and other services in all VA medical centers and domiciliary care facilities. The canteen service is a self-supporting non-appropriated fund entity. Recent legislation, Public Law 100-322, will contribute significantly to sustaining the financial independence of the VCS. It provides the canteen service revolving fund immunity from raids by the Office of Management and Budget, restores $8 million in Gramm-Rudman-Hollings losses and authorizes the investment of fund surpluses in interest earning assets. However, two issues continue to cloud the long-term viability of the canteen service. They are cigarette sales and independent operation.

Independent Operations

The single greatest impediment to the successful growth in the canteen service is interference in independent VCS operations notwithstanding provisions of law designed to insulate canteens from such interference. Hospital administrators and others continue to exert influence over pricing, staffing, hours-of-operation, etc., hopefully with good intention, but unfortunately with adverse results. The canteen service is a profit making business and must continue to be if the system is to survive. Therefore it must be operated as a business with hours and pricing and staffing set on the basis of sound marketing decisions. NCOA certainly understands the desire of hospital administrators to exercise some control over facilities within their area of responsibility. But, with regard to canteen services it must be stopped. NCOA is confident the integrity of the canteen service and its managers will continue to assure the best quality and best price service available to veterans.

Cigarette Sales

Aside from being a health concern, cigarette sales in canteens is also a deeply emotional issue and one of great financial concern. In 1987, while overall canteen service sales rose $321,840, retail sales declined $2,269,399 from 1986. Most of the loss can be attributed to prohibitions on the sale of tobacco products. According to the canteen service, sales are continuing to decline and the loss may have devastating impact on VCS financing. From a financial standpoint continued cigarette sales make sense.

Emotionally, things are quite different and the issue is quite controversial. The issue, of course, goes beyond the sale of tobacco to include whether smoking will be allowed in hospitals.

NCOA does not have statistics on how many hospitalized veterans smoke. However, NCOA does know that a disproportionately large number of servicemembers smoke. In fact, more than half of all servicemembers smoke including more than 60 percent of enlisted members. Smoking is highest among older servicemembers. It is natural to assume this carries over to veterans. It is also logical to assume that veterans are less impressed by the health concerns surrounding the issue than their non-veteran counterparts no matter how legitimate those concerns might be.

Smoking is an escape for many veterans with limited options. It is emotionally important to some, psychologically important to others. It has health consequences, but those are of little concern to the disabled, particularly the catastrophically disabled and terminally ill. In short, many veterans don't have much incentive to quit smoking. If prohibited from smoking in hospitals, many will leave necessary care; others will cheat potentially causing safety hazzards from smoking in unauthorized areas.

Limiting cigarette sales in canteen facilities will do little to cut down on smoking in VA facilities. It will only deprive the VCS of substantial income. It might also lead to a new kind of black-market as veterans, orderlies, and even some doctors set up a replacement supply chain as a substitute to canteen sales.

NCOA supports continued sale of tobacco products through the VCS. The association also supports regulations that allow veterans to smoke in VA hospitals, if only, in designated areas. Concurrently, NCOA encourages the VA to continue to provide education on health implications of smoking and smoking cessation clinics.

Conclusion

Overall, NCOA is sincerely impressed with the dedication and professionalism of the canteen service. It is well managed and responsive to the needs of veterans. Hopefully, its continued superb operation will be assured by favorable action to sustain independent operations and tobacco product sales.

Thank you.

-end-

Office of the
Administrator
of Veterans Affairs

Washington DC 20420

Veterans
Administration

AUG 30 1988

In Reply Refer To:

Honorable G. V. (Sonny) Montgomery
Chairman, Committee on Veterans'
Affairs
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Enclosed please find the Agency's responses to questions which you forwarded on behalf of Congressman Evans for the June 23, 1988, hearing on veterans' canteen service. Thank you for the opportunity to provide this additional information for the record.

Sincerely,

THOMAS K. TURNAGE
Administrator

Enclosure

cc: Honorable Lane Evans

QUESTIONS FOR DR. DANIEL H. WINSHIP
ASSOCIATE DEPUTY CHIEF MEDICAL DIRECTOR
SUBMITTED BY CONGRESSMAN LANE EVANS

Question: 1. Has relocation of the VCS Finance Center been or currently being considered: If yes, explain fully.

Answer: The relocation of the VCS Finance Center has been considered in the past but is not currently being considered.

Question: 2. On page 4 of your statement, you state "that the VCS statute was intended to vest VCS, and VCS alone, with exclusive authority to provide retail services at the VA Medical facilities." Please explain how you reconcile this statement with all of the actions taken by other than the VCS to discontinue and control the retail price of tobacco products in canteens. The recent actions at the VAMC Milwaukee, WI, are an example of this.

Answer: Most VAMC Directors understand the statutorily mandated independence of the Canteen Service and work closely with the canteen chief and Director, VCS, on canteen operations. Occasionally, however, as at the Milwaukee VAMC, a lack of understanding on the part of the Director results in the kind of action at issue. Numerous communications have reinforced the absolute necessity for Medical Center Directors to maintain effective, productive working relationships with the Canteen Service.

Question: 3. Do any VA patients or members rely on the canteen for purchasing tobacco products? How will these veterans buy or obtain tobacco if canteen sales are discontinued?

Answer: Extended care and domiciliary patients, especially, rely on the canteen for purchasing tobacco products. If tobacco sales were discontinued, the veteran patient could obtain tobacco products through Voluntary Service or buy them at local stores. At one VAMC, patients buy tobacco products from the canteen only through ward orders.

Question: 4. Has the discontinuance of the sale of tobacco products in certain canteens stopped smoking in any of the VAMC's where this has occurred? Have any of these VAMC's discontinued smoking in the institution?

Answer: The only study we are aware of in this regard showed that a large proportion of patients who smoked continued to smoke after tobacco products were removed from the canteen. These VAMC's have not discontinued smoking completely though they have restricted smoking to designated smoking areas.

Question: 5. Since halting tobacco sales in 17 canteens beginning in 1986, how much has the net revenue been reduced in each? (List individually.)

Answer: Please see Attachment A.

Question: 6. How much will the net revenue be reduced in each of the 27 canteens currently being considered for approval to discontinue sale of tobacco products? (List individually.)

Answer: Please see Attachment B.

Question: 7. What are the net revenues projected for the VCS for fiscal years 1988 and 1989? Will the projected net revenue be equal to or more than 2% of the gross sales?

Answer: Projected income for FY 1988 is $1.5 million to $2 million (0.8 - 1.1% of gross sales). Projected income for FY 1989 is $3.5 million to $4 million (1.9 -2.2% of gross sales).

Question: 8. In the event the financial viability of the Canteen Service is jeopardized, will management officials in DM&S discontinue further consideration of the 27 pending and any future requests from medical center directors to cease the sale of tobacco products?

Answer: The Department of Medicine and Surgery and the Veterans Canteen Service have developed criteria for evaluating requests from VA medical centers for permission to discontinue tobacco sales in canteens. Before permission is granted we shall apply the criteria rigorously, ensuring requests are supported by local veterans' service organizations and the unions, and that the medical centers have formulated sound, realistic plans for offsetting the loss of tobacco income. The Veterans Canteen Service has introduced a number of marketing initiatives which should generate additional revenue and thereby, at least partly, offset the loss of tobacco income. These include video tape rentals, a test of the sale of over-the-counter drugs, increased use of vending machines, and selective increases in cafeteria prices.

Question: 9A. Comment in detail on the actions recently taken by the medical center director at the VAMC Milwaukee, Wisconsin, to halt the sale of tobacco products in the domiciliary canteen.

Answer: The director at the Milwaukee VAMC requested permission from VA Central Office to discontinue the sale of tobacco products in the canteen. He was told he could discontinue sales provided he met certain conditions established by VCS and the Department. He only partially met the conditions but proceeded to order the removal of tobacco products from the main canteen and the canteen in the domiciliary.

Question: 9B. Has DM&S management at any level taken any action in response to the incident at this medical center? Explain.

Answer: Discussions with this Director and his Regional Director have emphasized the severity and impact of the Director's actions. Further followup should indicate whether additional action is needed. This situation was complicated by the fact that there was strong support for the Director's actions by the clinical staff.

Question: 9C. Have tobacco sales been resumed in the domiciliary canteen at the VAMC Milwaukee, Wisconsin?

Answer: Tobacco sales have not been resumed in the domiciliary canteen at Milwaukee.

Question: 10. In an authorization letter sent to Louisville VAMC Director, it stated, "in a review process of the canteen operations conducted prior to this approval, it was noted that the dining area is 37% under space criteria. A plan should be developed to alleviate this space deficiency in an effort to make the canteen more profitably viable." Was a plan to alleviate space deficiency developed? Was it implemented? Has the canteen become more profitably viable?

Answer: As of this date, a definitive plan for alleviating the space deficiency at VAMC Louisville has not been developed. The Canteen Service, however, is working with the medical center on the development of such a plan.

Question: 11. In an authorization letter sent to the Dayton VAMC Director, it stated, "annual losses from this action are estimated to be $20,000. Efforts should be directed to implement a compensation plan to adjust unproductive hours of operation and to search for space for the retail store on the same floor and as convenient as possible to the food department."

What actions have been taken? What are they? What has been the effect?

Answer: The medical center director indicated that additional space to correct the deficiency is unavailable.

Weekend hours of operation have been reduced. Daily hours of operation have been reduced in the retail store.

Since the sale ot tobacco products ceased, net income has declined by 5%.

Question: 12. In authorization letters sent to the directors ot the Albany, Baltimore, Charleston, Denver, Gainesville (Fla), San Diego, Tampa, Amarillo and Memphis medical centers space deficiencies of as much as 60% were identified as were expected losses of revenue and in each case the development of a plan was called for.

Have each of these plans been developed? Has each been implemented? Have these canteens become more profitably viable? (Answer by individual medical center.)

Answer: Albany: A plan to correct the space deficiency has been developed and partially implemented. However, a reduction of hours, as originally contemplated, has not yet been implemented. Net income has declined by 58% since the sale of tobacco products ceased.

Baltimore: The new medical center, proposed for completion in 1991, will provide adequate canteen facilities. Net income has declined by 20% since the sale of tobacco products ceased.

Charleston: A plan has been developed but not implemented for lack of construction funds. Net income has declined by 20% since the sale of tobacco products ceased.

Denver: A plan has been developed and partially implemented. However, lack of construction funds prevents the correcting of the space deficiency. Net income has declined by 56% since the sale of tobacco products ceased.

Gainesville: A construction plan was developed in 1985 for the expansion of the canteen but has not been implemented for lack of construction funds. Net income has declined by 20% since the sale ot tobacco products ceased.

San Diego: A plan to correct the space deficiency is being implemented. Net income has increased 15%.

Tampa: A plan has been developed but cannot be implemented for lack of construction funds. Net income has declined by 50%.

Amarillo: A new canteen has been constructed. This is one of the smaller canteens that of their nature cannot make a profit and must be subsidized by the larger canteens. The cessation of the sale of tobacco products has increased its unprotitability.

Memphis: A plan has been developed and partially implemented. Net income has increased 13%.

Question: 13. The Subcommittee on Oversight and Investigations has learned that several veterans' service organizations were not informed and do not support the discontinuing of tobacco sales in the VAMC, Milwaukee, Wisconsin. Please explain why they were not involved.

Answer: To my knowledge, most of the veterans' service organizations were informed about the request to remove tobacco from the Milwaukee VAMC canteen though it is true that they did not support the proposal.

Question: 14. Is the sale price of cigarettes determined in the same manner as the sale price of other items sold by the Canteen Service? Explain.

Answer: In negotiating with manufacturers, VCS always attempts to obtain cost prices for non-tobacco items that allow sale prices lower than those in the community. Beginning in 1978, VCS instituted the practice of pricing tobacco items at community levels, determined through regular price surveys.

Question: 15. If cigarette prices are equal to or greater than those in the community, explain the rationale for charging as much as or more for tobacco products sold in VA canteens than is charged by private retailers. How does this comply with the provisions of Section 4202(7), Chapter 75, Title 38?

Answer: In our view, the pricing structure is consistent with the law since prices are comparable to community prices. The statutory requirement is simply that prices be "reasonable." Lowering cigarette prices would give the appearance of the VA's condoning smoking as a practice. This would present a dichotomy in the VA's position as a major health care provider especially in light of recent testimony from the Surgeon General and the proven health hazards of smoking.

Attachment A

For the seventeen canteens which discontinued selling tobacco in 1986, 1987, or 1988, the following schedule compares net income (loss) for FY 1988 through 5/31/88 to the same period in 1987 (For Boise and Biloxi the current FY is compared to 10/1/85-5/31/86):

Canteen	Date Tobacco Sales Discontinued	Net Income (Loss) 10/1/87 - 5/31/88	Net Income (Loss) 10/1/86 - 5/31/87	$ Increase (Decrease)
Boise #531	10/1/86	$ 9,509	$ 9,368	$ 141
Biloxi #520 (Biloxi Div. Only)	11/1/86	(4,517)	(14,782)	10,265
Madison #607	3/1/87	(5,010)	(7,024)	2,014
Minneapolis #618	4/1/87	(10,383)	32,749	(43,132)
Amarillo #504	8/1/87	(19,503)	(20,011)	508
Albany #500	9/1/87	41,014	99,779	(58,765)
Charleston #534	10/1/87	37,008	47,654	(10,646)
Denver #554	10/1/87	11,736	39,754	(28,018)
Gainesville #573	10/1/87	61,736	81,502	(19,766)
San Diego #664	10/1/87	85,444	74,074	11,370
Tampa #673	10/1/87	35,553	72,589	(37,036)
Baltimore #512	12/1/87	15,893	17,192	(1,299)
Dayton #552 (Brown Div. Only)	12/1/87	52,334	57,648	(5,314)
Milwaukee #695	1/1/88(5/88 for Dom.)	56,262	117,327	(61,065)
Louisville #603	2/1/88	26,377	23,789	2,588
Portland #648	2/1/88	(33,380)	(30,377)	(3,003)
Spokane #668	2/23/88	(46,308)	(2,849)	(43,459)
		$313,765	$598,382	$(284,617)
				47.58% Decrease

Attachment B

Based on FY 1987 results, it is estimated that net income would be reduced for the 27 canteens under consideration for tobacco sales cessation as follows (if nothing done to offset loss):

Canteen	Direct Reduction (Loss of Tobacco Gross Income)	Indirect Reduction (Loss of Tie In Sales Per Price Waterhouse Study)	Total Income Reduction
608 Manchester	$ 16,596	$ 2,621	$ 19,217
650 Providence	36,018	3,782	39,800
667 Shreveport	38,040	3,437	41,477
619 Montgomery	8,563	1,574	10,137
594 Lake City	30,014	2,838	32,852
524 Brecksville	42,417	4,560	46,977
583 Indianapolis	34,589	2,959	37,548
541 Cleveland	50,760	8,455	59,215
553 Allen Park	50,105	6,944	57,049
546 Miami	74,319	8,592	82,911
569 Fort Wayne	8,034	1,521	9,555
587/657 St. Louis	70,502	5,591	76,093
585 Iron Mountain	9,531	1,725	11,256
612 Martinez	22,432	6,080	28,512
642 Philadelphia	32,941	3,503	36,444
678 Tucson	17,807	2,840	20,647
516 Bay Pines	74,407	5,815	80,222
660 Salt Lake	22,383	3,727	26,110
600 Long Beach	67,779	13,327	81,106
574 Grand Island	10,151	1,112	11,263
527 Brooklyn	92,879	11,763	104,642
580 Houston	110,957	10,998	121,955
595 Lebanon	50,700	3,853	54,553
635 Oklahoma City	45,314	4,190	49,504
670 Syracuse	43,412	5,432	48,844
586 Jackson	58,966	6,600	65,566
614 Memphis	70,249	9,510	79,759
	$1,189,865	$143,349	$1,333,214

QUESTIONS FOR ROBERT J. MANTICA
DIRECTOR, VETERANS CANTEEN SERVICE
SUBMITTED BY CONGRESSMAN LANE EVANS

Question: 1. By statute, the Veterans Canteen Service shall function as an independent unit in the Veterans' Administration and shall have exclusive control over all its activities including sales, procurement and supply, finance, including disbursements, and personnel management.

Can you tell us if you or any other Veterans' Canteen Service official report to any DM&S officials? To whom do you report in DM&S and how frequently do you report?

Answer: In addition to the elements of the law quoted in your question, the VCS is to be under the control or supervision of the Administrator. The Administrator has delegated this function to the Department of Medicine and Surgery by Regulation. Pursuant to that regulation, my contact with DM&S normally is through the Director of Administration. I attend his staff meetings on Tuesdays, Thursdays and every other Friday. We maintain daily telephone contact. Also, I am invited to the ACMD for Operations' conference call every Friday and the CMD's general staff meeting on the first Friday of each month. On a monthly basis, I brief the Director of Administration on canteen operations.

Canteen chiefs attend the Medical Center Director's staff meetings and serve on other committees in the medical center as deemed necessary by the Medical Center Director.

Question: 2. Has any DM&S official outside the VCS ever suggested or recommended a change in the Canteen Service pricing policy? What change was suggested and by whom? Why was this suggestion made?

Answer: The Administrator has delegated authority to DM&S officials who have suggested ways to improve our economic condition. Among these is the proposal that we consider selective price increases i.e., cold drinks, shirts, candy bars and other retail items to offset the loss of income from the reduction in tobacco sales. Tobacco prices were increased in 1978 to the local community price as an alternative to cessation of tobacco sales.

Question: 3. How many canteens are space deficient? Has any action been taken by DM&S to reduce space deficiencies?

Answer: To date, we have 67 canteens with space deficiencies in excess of 30% of criteria. DM&S has a space deficiency program in which individual medical centers report and recommend corrective action on all areas in the medical center. Canteen Service is considered in each medical center's five-year plan.

Question: 4. Has the VCS recommended or proposed a reduction or waiver of space charges to DM&S? If the answer is yes, what action has been taken?

Answer: VCS has, on several occasions, suggested that DM&S waive its charges for rent to offset the loss in tobacco income. The Department has stated they will consider such a waiver if the economic condition of the VCS is jeopardized.

QUESTIONS FOR PAUL H. REIDER
EXECUTIVE ASSISTANT TO THE DIRECTOR
VETERANS CANTEEN SERVICE
SUBMITTED BY CONGRESSMAN LANE EVANS

Question: 1. The Price Waterhouse study states local medical center directors exercise significant control over canteen operations. How much time do medical center directors devote to the operation of the local canteen?

Answer: The statement contained in the Price Waterhouse Study is true in part, but the medical center directors do not have line authority over the canteens. Time devoted by medical center directors to the local operation of their canteen varies from one medical center to another. There are directors who take an active role in supporting the canteen at their medical center and there are others that do not.

Question: 2. How can medical center directors best support canteen operations? Is this support generally given or withheld?

Answer: In my opinion, medical center directors must have a full understanding of the overall operations of their canteen before full support can be given. Areas of necessity for the success of the canteen program are space, services, such as housekeeping, equipment maintenance, security, and administrative services necessary for our organization to effectively serve the Medical Center.

Question: 3. Have contracts been used in the past to obtain or provide canteen goods or services?

Answer: Yes. Service contracts presently available through our organization are vending, photo, laundry and dry cleaning, watch repair, razor repair, and similar services for the comfort and well being of our hospitalized patients.

Question: 4. Under previous contracts, has the Canteen Service continued to have "exclusive control over sales, procurement and supply," and other canteen operations? How was this exclusive control by the Canteen Service achieved?

Answer: The Canteen Service has "exclusive control" over its contractual arrangements. We prepare the contracts and monitor the compliance of these contracts to ensure the contractor is fulfilling the agreement as required.

Question: 5. Will the Canteen Service exercise exclusive control under A-76 process contracts? If the answer is no, who will exercise such control?

Answer: This particular contract will be prepared and awarded by Supply Service at each individual medical center. This process prevents the Canteen Service from having "exclusive control" over the contract and threatens VCS's independence. The portion of this proposed contractual arrangement is for labor only. As I testified previously, we will not have exclusive control over the labor force, if contracted out, but can only monitor the contractor for compliance with the agreement. This will eliminate non-appropriated government employees from their jobs, loss of benefits, and the elimination of personalized service to our non-ambulatory patients. If we, as an organization, cannot have exclusive control over our entire operation, including our employees, our service is jeopardized. Our managers will be nothing more than "clipboard carriers" jotting down demerits for non-compliance of the contract, rather than effective leaders taking immediate action to serve our customers effectively and efficiently.

QUESTIONS FOR NEIL C. WHITTLE
DIRECTOR, OFFICE OF MARKETING
VETERANS CANTEEN SERVICE
SUBMITTED BY CONGRESSMAN LANE EVANS

Question: 1. Is there any evidence that veterans could be exploited and black markets developed because tobacco sales are halted in VA canteens?

Answer: To my knowledge, no one has been apprehended for such black market activities. Thus, there is no documented evidence. However, from observations of individuals at VAMC's where canteens ceased tobacco sales, it is occurring and has occurred. San Diego, California, and Tampa, Florida, are locations where information indicates such black market activity exists.

Question: 2. Let me ask you the question you asked in your statement. Who will benefit from eliminating canteen tobacco sales in VA canteens?

Answer: In my opinion, those who believe they can attain a smoke-free environment simply by removing tobacco from canteens will benefit. In reality, as long as any facility allows smoking, (even where confined to one or more rooms/areas) then no one benefits. Past studies have shown that 93% of all patients who were smokers continued to smoke by obtaining tobacco through other means. Of the 7% who ceased smoking during hospitalization, no data exists to indicate how many remained non-smokers after leaving the medical centers.

Question: 3. As Director of Marketing for the Veterans Canteen Service, what are your responsibilities?

Answer: My responsibilities are to oversee the management of the VCS Retail, Food and Merchandise procurement activities.

Question: 4. If tobacco sales were eliminated, what changes can the Veterans Canteen Service make to remain economically viable? Are there changes in marketing which would occur? How successfully could changes in marketing offset the loss of revenue which would occur if tobacco sales were eliminated?

Answer: In my opinion, the VCS has already begun making changes to remain viable. This was pointed out in the Price-Waterhouse report on this subject. Examples given were: over-the-counter drugs, video rentals, profitable hours of operation, etc.

In addition, introduction of new merchandise lines and mix (as an example - currently testing 6-pack and litre soft-drink products), more viable promotional items and display techniques, and canteen surveys to assure the best merchandise mix.

No product will completely replace tobacco sales, as is pointed out in the Price-Waterhouse study. However, if the VCS is allowed to truly operate as an independent activity and given time to adjust through a graduated loss of tobacco sales, it can maintain its financial viability through marketing and management initiatives. Again, personally, I hope, as noted in my testimony, we do not lose sight of the purpose of the VCS - to serve the veteran.

Veterans Canteen Service St. Louis, MO 63101
Finance Center

Veterans Administration

July 22, 1988

In Reply Refer To:

Honorable G. V. (Sonny) Montgomery
House of Representatives
Committee on Veterans' Affairs
335 Cannon House Office Building
Washington, D.C. 20515

Dear Mr. Montgomery:

Thank you for the opportunity to respond to the questions from Honorable Lane Evans. The Veterans Canteen Service and myself greatly appreciate your concern and support for the delivery of services to America's Veterans. I have especially enjoyed getting to know and work with Ms. Pam Parker, Mr. Ralph Casteel and all of your very able staff.

Sincerely,

Paul Freiert

PAUL FREIERT
Assistant Director
Veterans Canteen Service
Finance Center

QUESTIONS SUBMITTED BY HONORABLE LANE EVANS
TO MR. PAUL FREIERT
ASSISTANT DIRECTOR
VETERANS CANTEEN SERVICE FINANCE CENTER
ST. LOUIS, MISSOURI

(1) Can you provide the Subcommittee with any examples of negatively impacted operational factors essential to line authority control and effective direction mentioned in your statement? For reasons unknown the Veterans Canteen Service (VCS) Director position was left vacant from March 1985 until January 1987. During the period March 1985 until August 1987 when the present organization was implemented VCS field offices were deliberately left understaffed and abilities to direct and control all medical center canteen operations were drastically curtailed by not having a permanent Director and by the lingering threat of an undefined reorganization plan. Managers were rendered ineffective. No opportunity was provided for VCS input as to what the reorganization plan should have been, if in fact reorganization was needed. The ACMD for Administration testified at the September 1985 hearing knowing full well of this orchestrated and successful attempt at disrupting a well run organization. Many experienced, loyal and talented employees left the VCS during this difficult time. The purpose of this deliberate disruption was to bring medical center directors and regional directors into a line authority position. The ACMD for Administration testified as to that very intent as contained in the record on pages 24 and 25 of the hearing conducted September 18, 1985. Reorganization and consolidating all field office activities to central office was imposed against the will and wishes of all VCS levels of management. It was accomplished by the ACMD for Administration and the successor to that position, the Director for Administration. The influence of that ACMD for Administration continues to be clearly felt today.

An opinion provided by the VA General Counsel said that line authority control would not be consistent with Title 38, Chapter 75. While line authority did not officially transfer to medical center and regional directors it did in practice.

The continued application of A-76 to VCS is causing employees to be very concerned. Employees are looking for and obtaining jobs elsewhere. Attrition rates are high. The A-76 process is very time consuming and highly disruptive to operations. During all of this the response from the Department of Medicine and Surgery (who included VCS initially) is not to worry; a most efficient organization (MEO) does not have to be concerned.

(2) What issues have arisen between medical center directors and the canteen service and between regional directors and the canteen service? How are they resolved? The tobacco issue at the VAMC Milwaukee is well known to the sub-committee. The Associate Deputy Chief Medical Director indicated at the June 23, 1988, hearing that he would handle the situation with the medical center director. To date no tobacco products are sold and the medical center director was simply told he should not have done what he did. The medical center director has told the canteen chief to operate the canteen without VCS control.

The Regional Director, Region #1, told his medical center directors that the canteen cannot do it by themselves, should push canteen to be innovative and that the regional director wanted input along these lines from the medical center director and their staffs. Many medical center directors are insisting on making the selection of the

chief, canteen service, without regard for the career ladder development of individuals or without indepth consultation with VCS central office. Recently a medical center director told his canteen chief not to pay any regard to VCS representatives, he was in control. The medical center director at Albany refuses to deal with the unauthorized sale by the employees association of ice cream, popcorn and frozen meat products. The medical center director at Seattle is not willing to allow the changing of operating hours which are unproductive.

At the present time all of these issues remain and under present circumstances the VCS can only attempt to negotiate their resolve.

(3) How many field operation specialists are needed to effectively support 172 local canteen operations? A minimum of 14.

Where should the field operation specialists be stationed? Operations specialists should ideally be located centrally within the region assigned. Travel to the far western medical centers is excessive and two to three weeks out of the office at one time is too much to expect.

(4) To whom should the Veterans Canteen Service internal audit staff report and why? The internal audit staff should report as done previously to the Director, VCS. In accordance with the enabling legislation the Director, VCS is accountable and responsible for operational viability of the Service. No experience of improprieties exists that would have been considered when the reporting was changed to the Director for Administration. This change was also orchestrated by the previous ACMD for Administration.

Veterans Canteen Service Washington D C 20420

Veterans Administration

AUG 2 - 1988

In Reply Refer To:

Honorable G. V. (Sonny) Montgomery
Chairman, Committee on Veterans' Affairs
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

I am pleased to respond to your questions as stated in your letter to me dated July 11, 1988. Attached please find the questions and my personal responses.

If I may be of any further assistance to the Committee, please do not hesitate to call upon me.

Sincerely,

Ralph Shalda

RALPH E. SHALDA
Field Operations Specialist

QUESTIONS SUBMITTED BY HONORABLE LANE EVANS
TO MR. RALPH SHALDA
FIELD OPERATIONS SPECIALIST
VETERANS' CANTEEN SERVICE
VA CENTRAL OFFICE, WASHINGTON, D.C.

(1) Are medical center directors attempting to exert direct control over local canteen operations? If yes, does this occur frequently?

Yes, medical center directors are attempting to exert direct control over local canteen operations. Yes, this does occur frequently.

(2) Do you know of other incidents where local medical center directors have injected themselves into the operational activities of the canteen? If yes, please specify.

Other incidents than those reported in my personal remarks before the Subcommittee on Oversight and Investigation on June 23, 1988 are as follows:

- Medical center directors often dictate hours of operation of the canteen. This involves retention of weekend hours in some locations where it is not justified by the level of business. Examples are Dublin, GA, Wichita, KS and Sheridan, WY.

- At Saginaw, MI, the medical center director has had signs put up at the canteen entrance that no visitors are allowed in the cafeteria from 11:00 a.m. to 12:15 p.m. The intent is to create more seating for employees and is sometimes done at canteens, but the medical center director took this action against the wishes of the canteen chief who feels his food business will suffer.

- In some cases medical center directors direct that the canteen retail or food departments close at particular times during the day so that they can be assured that VA employees are on the job and not in the canteen.

- At Salt Lake City the medical center director has injected himself into the operational activities of the canteen to the extent of ordering tobacco displays changed.

- At Milwaukee, WI, when the canteen chief observed the Employees Association selling T-shirts in the hallway of the medical center in June 1988 he asked the medical center director to have the activity stopped since it interfered with canteen business and because M-1, Part IV, Chapter 1.03 stipulates that "No other revenue-producing agency at the health care facility will engage in such activities or operate such service"... (retail, cafeteria, etc.)..., "without prior approval of the Director, VCS". The medical center director told the canteen chief that he would allow the selling in his medical center of whatever he chooses.

In the above examples reference is made to incidents that have taken place outside the proper channels. Medical center directors obviously have an interest in the operation of the canteen at the medical center. Problems occur when they act without concurrence of Canteen Service, Central Office and simply force certain operating conditions upon the local canteen chief.

Veterans Canteen Service Washington D C 20420

Veterans Administration

In Reply Refer To:

Honorable G. V. (Sonny) Montgomery
Chairman, Committee on Veterans' Affairs
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

I am pleased to respond to your questions as stated in your letter to me dated July 11, 1988. Attached please find the questions and my personal responses.

If I may be of any further assistance to the Committee, please do not hesitate to call upon me.

Sincerely,

Paul F. Koval

PAUL F. KOVAL
Chief, Veterans Canteen Service
VA Medical Center, Washington, DC

QUESTIONS SUBMITTED BY HONORABLE LANE EVANS
TO MR. PAUL F. KOVAL
CHIEF
VETERANS' CANTEEN SERVICE
VA MEDICAL CENTER, WASHINGTON, D.C.

(1) Why are cigarette prices set differently than all other items in your canteen?

What is the current profit on the sale of cigarettes in your canteen as compared with earlier such sales? Has the profit on other retail items sold in your canteen fluctuated upward or downward in the same manner as tobacco products?

In 1978, the Department of Medicine and Surgery of the Veterans Administration instructed the Veterans Canteen Service (VCS) to sell tobacco products at community prices. This action was taken to help deter the use of tobacco products by our customer base (the veteran). In some instances, local medical centers asked for and received prices which were higher than community prices in order to further discourage smoking. At present, the VCS is still utilizing a community based system of pricing. As of July 1988, an individual package of cigarettes yields a 39.5% profit. Historically that figure has been: 1982 - 33.8%; 1976 - 25%. As of July 1988, the percentage of profit realized in all other departments utilized by the VCS (excluding of course tobacco) is 21.5%. In 1984, this percentage was 22.9%. As you can see, the profit level has, in point of fact, decreased in all departments with the exception of tobacco, where it has risen dramatically.

(2) What are some of the possible consequences of the reduction in the number of field operation specialists?

The frequency and duration of specialists' visits has definitely been affected because of the reduced number of specialists. From this simple fact flows numerous consequences. A chief is being increasingly judged by the numbers he produces (sales, profit percentage, etc.) because a specialist does not have the time to observe the chief at length due to the shortness of his stay. We, as a Service, cannot judge simply by numbers; service must also be included. Under the present system, this has become extremely difficult. Under the old field office system, I received training outside of my own assigned medical center on the average of two times a year. Under the new system, I have received no training at all from outside my assigned duty station. When a specialist spends a week with a canteen chief (as they once did), a working relationship develops which assists the canteen chief in his daily duties. Under the present system, this is not possible. Many medical center directors feel VCS Central Office does not support local chiefs because of infrequent visits by the specialists. This is not true at all. Specialists do not visit as frequently as they did just three short years ago because they have in effect had their workload doubled. As I see it, specialists are now spending a majority of their time at stations where the most problems exist (as they are forced to do by time constraints).

My final concern is with the career ladder. Since there are only half the available positions as there once were at the grade level of a specialist, the career ladder has been severely damaged. Many of my colleagues have left the service for private sector jobs with more career potential or switched over to other services within the VA which they see as having better opportunities for them. This has created a severe shortage of qualified personnel in the field.

(3) If the food service operations of your VA canteen are contracted out under the provisions of OMB Circular A-76, what will be the effect on your canteen operations?

The first effect of contracting out would be an immediate loss to the government of many fine employees who have worked for the VCS for over ten years. The contract would afford these employees right of first refusal but as demonstrated in other contracting out ventures of the government, the majority of the present employees will either quit or be fired within the first year. This will most certainly affect the personalized service which is now offered. If I as a manager cannot have exclusive control over my employees (all employees), then my operation will no longer be managed, it will simply be run. If I am to manage, I must have exclusive responsibility over all aspects of my operation in order to be able to respond immediately with authority and efficiency to serve my customer. If I must go through a middle man (the contractor's site manager), there will be a discernible breakdown of authority, responsibility and timeliness within my organization.

A business will have as its main concern maximizing profit through whatever means. If we are not pleased with a contractor's service or performance, I believe eventually we will be able to force him out of our facility, but at what cost and to whom? Instead of streamlining government as intended, this A-76 action will, in point of fact, add to it. My most pressing concern in this matter will be who will be appointed COTR (Contracting Officer's Technical Representative). Since Supply Service is designated as the contracting service in this matter, they will also appoint the COTR. All assumptions are the COTR will be the Canteen Chief or his designee but this does not have to be so. It can be anyone the contracting officer designates. From any angle I look at A-76, the only effects I can see on my own service are negative.

Office of Government Services
1801 K Street, N.W.
Washington, DC 20006

Telephone 202 296 0800

Price Waterhouse

August 5, 1988

The Honorable G.V. Montgomery
Chairman
U.S. House of Representatives
Committee on Veterans' Affairs
335 Cannon House Office Building
Washington, D.C. 20515

Dear Sir:

Enclosed please find answers to questions submitted to me regarding the Price Waterhouse Study of the Implications of Eliminating the Sale of Tobacco Products from VA Medical Centers.

Sincerely,

Fredric L. Laughlin

ANSWERS TO QUESTIONS SUBMITTED BY
HONORABLE LANE EVANS
TO DR. FREDRIC L. LAUGHLIN
PARTNER, PRICE WATERHOUSE

1. **On page 4 of your written statement, you state "the medical center director at each VAMC exercises substantial control over the operations of the local VCS canteen." Please elaborate on this statement.**

During this study we conducted visits to 10 VA Medical Centers. We interviewed both the Canteen Chief and the Medical Center Director, among others. In all cases, we found that the Medical Center Director may exercise substantial control over the operations of the local VCS canteen. The Medical Center Director can exert power over most decisions made by the VCS canteen, including:

- Hours of operation - While the determination of the hours of VCS operations are a function of the judgments of the Canteen Chief, the Medical Center Director, and the Central Office, requests by the Medical Center Director to extend hours are seldom rejected. In addition, the Medical Center Director must accept all changes to present hours.

- Services provided - Canteen Chiefs generally honor requests by the Medical Center Director to provide services (e.g., a barber shop).

- Space allocated to VCS operations - The location and space provided to VCS operations in the VAMC appears to be at the discretion of the Medical Center Director. In addition, any capital improvements to the allocated space must be approved by the Medical Center Director.

- Miscellaneous duties - Medical Center Directors often request that the Canteen Chief serve on certain hospital committees not necessarily related to the Chief's regular duties.

2. **What are the various sources of pressure which have caused the elimination of tobacco products from some canteens?**

The pressure to remove tobacco products from canteens is from two primary sources:

- Community/National sentiment - There is a nationwide movement to limit the use and sale of tobacco products. This was mentioned at every site we visited.

- Health community - Many people feel that the VA, as a leading health care provider, should be at the forefront of the efforts to remove tobacco. Many of the doctors whom we interviewed at the Medical Centers believe that the VA should not be selling cigarettes. Some of them indicated that the VA is the largest provider of medical care that has not removed cigarettes.

3. **If the current policy on ending the sale of tobacco products by the canteens is continued and, assuming the development of additional strategies for increasing VCS is minimal, what will be the economic impact on the canteen service?**

If the VCS continues to reduce the number of canteens that sell tobacco products, and new services and products are offered, VCS net income will likely decrease. While initial cessation may not jeopardize the viability of the VCS, the ultimate effect of

the cessation may cause the VCS to operate at a loss since no product we examined had the profitability of tobacco. Our report details the effect of a total cessation of tobacco sales.

4. The study refers to developing and implementing a policy that effectively allows the canteen service to end its dependence on tobacco sales.

What would an effective policy be?

Would an effective policy provide net revenue at least equal to 2% of gross sales?

Cessation of tobacco sales should be done deliberately and in a controlled manner. Along with other considerations, we believe it is appropriate to use a Health Care Index (HCI) to identify the qualitative effects of tobacco removal on extended care patients. Our report details the findings regarding possible tobacco revenue replacements. As the report notes, however, no one product can replace tobacco revenue. Any feasible policy should employ new products, services, or prices.

There is no guarantee that a tobaccoless VCS would realize net revenue equal to 2% sales. However, with a gradual phase-out of tobacco products, and continued testing of other products and services, the VCS may be able to adjust to a tobaccoless environment.

Is the current policy effective?

Can the canteen service afford a continuation of the current policy?

If the current policy is continued, what is the economic impact on the canteen service?

Although the current policy has been effective in gradually reducing the number of tobaccoless canteens, it suffers from a lack of clear definition. As a result, many interested parties both inside and outside the VA are not aware of the VCS approach to deciding which canteens may sell tobacco. Without knowing the number of canteens to be made tobaccoless, we cannot estimate the economic impact of the current policy. Based upon our understanding of the current policy, it contains an appropriate blend of issues concerning financial viability and patient care. Combining the present approach with a consideration of the HCI, and publishing a policy of gradually phasing-out tobacco products will likely give the VCS the recognition it deserves for formulating sound policy to deal with this sensitive issue.

5. The statement of work attached to your prepared statement identified several study objectives. These include:

(A) To identify factors associated with profitability in canteens not now selling tobacco;

(B) To identify factors associated with non-profitability in canteens not now selling tobacco; and

(C) To identify courses of action to offset the loss of tobacco income, and to estimate how long it would take to recoup lost income, given the implementation of suggested strategies

Please summarize the findings in your study related to those objectives, particularly the time required to recoup lost tobacco sales.

We believe that the primary factors that affect VCS profitability are:

- Customer traffic
- Retail store location
- Type of VAMC facility
- Characteristics of the retail store
- Canteen Chief ingenuity
- Support of the Medical Center Director

Our report identifies a number of possible tobacco revenue replacements. Any course of action will make use of these products to offset partially the loss of tobacco revenue. The report also notes that the VCS could reduce rent payments to the VA, or request the congressional appropriations allowed by law.

Our recommendation was that a comprehensive smoking policy be adopted, incorporating the Health Care Index (and its underlying ideas), as well as new products and services. This new policy can be implemented, but we do not believe that a establishing a specific date for terminating tobacco sales in all canteens is prudent at this time. By monitoring the orderly phase-out closely over the next 2-3 years, the VCS may establish a date when all canteens are tobaccoless.